



# **100 of the most pressing issues in the Republic of Moldova in 2007**

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# Preface

A society without problems would mean a perfect society. Unfortunately, such a society can only be found in utopia. In our daily life, the problems are a constituent part of our activity. More or less grave, they challenge us and stimulate our daily activities, contribute to stress stimulation, make us think about the necessary solutions that in some cases are completely inappropriate.

For a country, the existence of certain problems constitutes the motive power that contributes to the stimulation of durable development. Although they imply a certain degree of stress and call for attention, the problems trigger the political life and stimulate the social-economic processes. However, the problems imply expenses, especially when the proposed solutions do not correspond to the essence and causes of the problems. Most of the times the proposed solutions are not efficient.

Even though it may seem that, it is insufficient just to identify and describe the issues that have dominated the public agenda in 2007, the correct identification of the essence of the problem gives us 60 % of the answer towards its solution.

The peculiarity of 2007 was the fact that it was the last year of the implementation of the EU Action Plan by the Republic of Moldova facing a severe drought. In 2006, the authorities of the Republic of Moldova had put forth the efforts to convince the European officials and the western partners of the possibilities of the country to implement the stipulations of the Action Plan RM-EU, the efforts have been materialized by the creating and sending reports regarding the implementation of the RM-EU AP. In 2007, the Moldovan authorities are facing the situation when they have to prove to the citizens and to themselves that the implementation of the Action Plan RM-EU did not represent just efforts but also clear results in bringing Moldova closer to EU. Or the implementation of this very document represented a capacity and availability test of the Republic of Moldova to approach the European Union.

One hundred issues is a too less number for a country as the Republic of Moldova that has been going through a deep transition period for the last 16 years. Although our aim was to identify just the most pressing issues that were on the top of public agenda in 2007. The research team has analyzed the main public debates, actions and the messages intended for the open society via the mass media in 2007 in order to comprehend how these debates keep up with the aimed objectives of the political class of the Republic of Moldova.

This study is a useful tool for the community of political decision-makers, governmental officials, leaders of the civil society and representatives of printed and electronic mass media both from the Republic of Moldova and outside the country.

The value of this study is consolidated through its easy structure, techniques of identification and validation of certain problems reflected in the media, representing thus an effort of designing a public agenda that comprises the majority of issues of interest for the development of the Republic of Moldova.

This smart product offers comparative and analytical elements for the adoption of some superior techniques of evaluation of some decisions that involve important costs for our society. Meanwhile, the intention of the authors of this study is to encourage critical thinking and comparative approach regarding drafting of efficient and effective public policies as well as qualitative growth of the level of public debates on these issues of interest.

The research team was formed of seven experts and one coordinator. The study was coordinated by Ghenadie Mocanu and the research team was formed from Ion Marandici, Dumitru Lazur, Ion Guzun (the political sphere), Nadejda Caprar (the economic sphere), Diana Cheianu-Andrei, Oleseu Cruc (the social sphere) and Alexandru Leşanu (International relations)

The authors would like to express their sincerest gratitude to Friedrich Ebert Foundation for the given support in the elaboration of this research as well as for the encouragement offered throughout the entire duration of this comprehensive study.

## Research methodology

The starting point in our research was the analysis of the local press throughout 2007 and collecting the very sensitive issues (VSI) that came to the public attention in the given period. The reference point of selecting the media for our analysis was based on the role of the press as an instrument in creating and providing subjects for the general public agenda (political, administrative, economic, social, etc.), and at the same time monitoring the key topics with the reference to specific reactions from the society.

The perusal of the press from the Republic of Moldova determined us to observe the existence of certain special interest subjects from the official and unofficial agenda of the Moldovan authorities that are repeated with a certain frequency which resound for the society. In the first phase, we decided to perform a content analysis of the press in order to identify a number of about 100 subjects of maximum sensitivity. The problems were identified according to the following criteria: the frequency of appearance, the impact, the dynamics and the escalation degree of the problem.

Priority has been given to the materials from the press that have enrolled to certain currents of opinion avoiding the sensational news that have the aim to distract the public attention from important subjects. Subsequently, we have applied the qualitative analysis of the identified problems using as a reference point an analysis matrix with certain qualitative indicators:

- **Subject** - offers a general overview of the problem;
- **Problem Description** – identifies occurrence areas, sources and reasons that maintain the problems actual;
- **Target groups** – includes persons and social groups affected or privileged by the problems' existence;
- **Impact** – calculates the costs, difficulties, threats and effects of the problem over the environment and social structures;
- **Dynamics** – identifies problems' tendencies and critical moments, its perpetuation for a longer period of time which transforms it in a dominant tendency over public, economic and social life;
- **Factors** – identifies institutions, groups and actors involved in social intercommunications pertaining to the problem, or are confronting with its acute aspects and their possible behaviour.
- **Anticipations** – describes the probable evolutions in the nearest future;
- **Questions** – intercepts the essence of the problem and its impact in the past as well as in the future.

In order to have this media research organized and to have the description of the identified problems logically arranged, we have divided the identified problems in the framework of four big impact groups: political, economic, social, and external. Respectively, in order to be easier identified, the problems from each group have received a capital letter in front of the group followed by the number of the problem from the group (e.g. Political – P1, P2, ...) the groups have been named as follows: Political - P, Economic – E, Social – S, External – Ex.

Along with the frequency of the appearance of the problems in the media, we have done an external evaluation of the problems. In this regard, ten experts representing different fields of activity from the four abovementioned have graded the problems from 1 to 7 (where one is the minimum value and seven is the maximum value) according to three indicators:

- **Impact** - the potential of the gravity of the problem for the democratic stability and the increasing development of the Republic of Moldova.
- **Dynamics** – the capacity to modify, transform or aggravate a problem. To what extent is the given problem static or dynamic?
- **Escalation degree** – to what degree is the given problem close to turn into a crisis and a paralysis of the domain that it represents?

The average of the three indicators has allowed us to find the intensity of the problems:

$$I_n = \frac{\text{Impact} + \text{Dynamics} + \text{Escalation Degree}}{3}$$

The coefficient of every indicator (Impact, Dynamics, Escalation Degree) represents the average of the answers of the experts for each problem. These indicators can be visualized and evaluated at the beginning of the description of the problems from the four domains.

Despite the subjectivity of the external assessment of the problems since it represents the perception of just one group of experts, it gives us some reference for the distinction of the most pressing subjects from the public agenda in 2007.

It should be mentioned that starting from the principle that every identified problem is as pressing and bears the same share of concern from the political decision makers and the whole society; we have not prioritized the problems. The sequence in which the problems have been described in this research represents the sequence of identification of the problems into the four groups by the experts throughout the study.

## List of the Problems

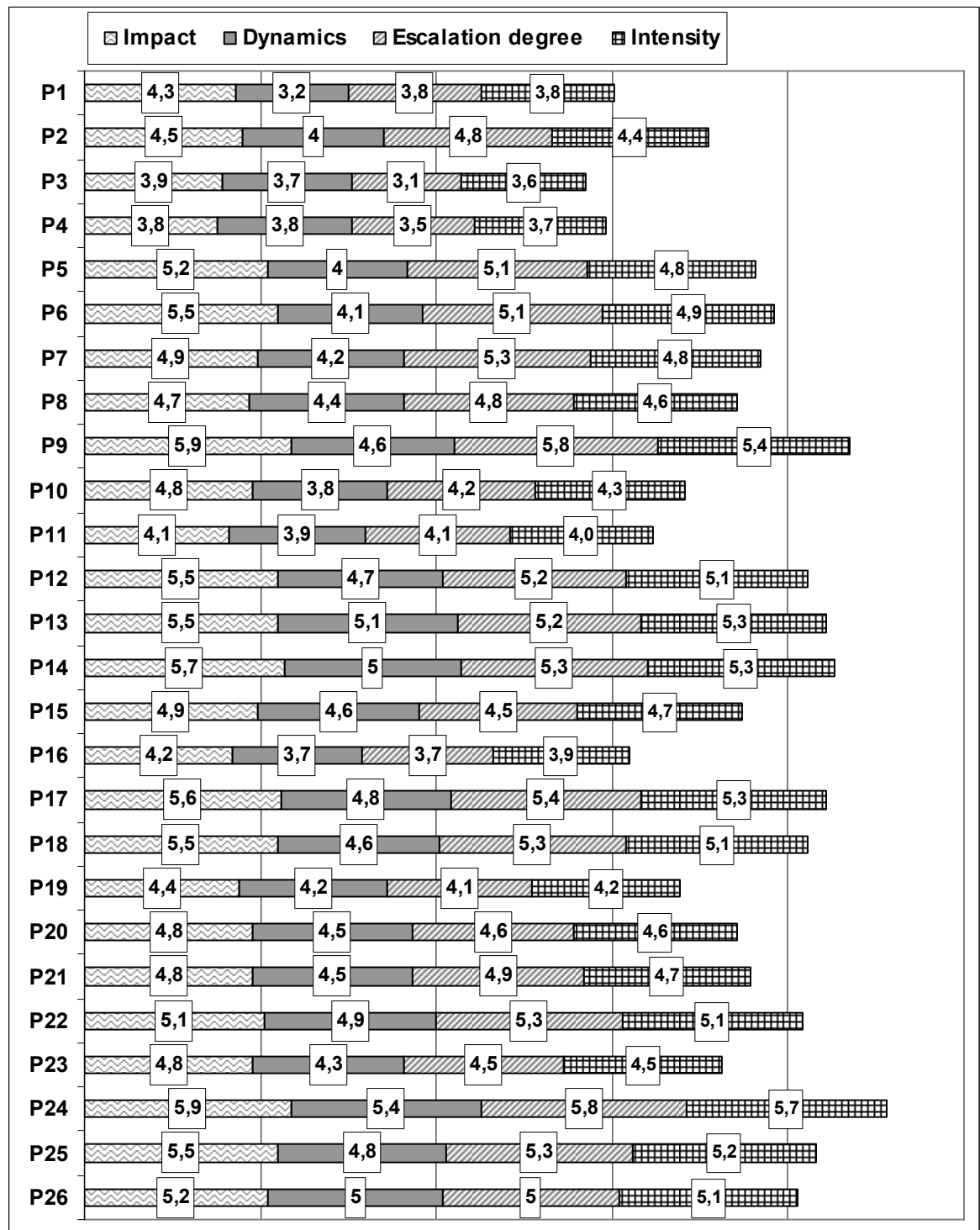
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## Indicators of the problems from the political domain



The data from the table represent the values presented by the ten independent experts for every indicator of the 100 problems.

## P 1. The dispersed local society

### Subject

The Moldovan civil society has given signs of coagulation but the obvious thing is the lack of a common position regarding the numerous problems of general interest and the low mobilization capacity.

### Description

Throughout 2007, there have appeared some situations when the civil society has given signs of coagulation. The rumours regarding the secret negotiations between Moscow and Chişinău have determined some organizations of the civil society to take a stand and to ask for a larger transparency from the President.

Another case was the concurrent report of the 13 NGOs regarding the implementation of the Action Plan RM-EU and the establishment of the Euro forum consortium. With the reference to the children rights, the activity of the NGO Alliance has been activated in the field of the Social Protection of the Child and the Family (APSCF) that comprises 103 nongovernmental organizations that will elaborate an alternative report regarding the implementation of the UNO Convention of the rights of the Child in the Republic of Moldova. The 2007 coalition has comprised several important NGOs that were monitoring the local elections. However, at the re-elections in Rezina, the NGOs had not sent their electoral observers and it is not clear to what extent the frauds pointed out by the representatives of the parties are real.

Notwithstanding the existence of such a consolidation initiative and taking a well-grounded position towards the actions of the authorities, the Moldovan civil society is not able to influence the governmental decisions, the reports and the signs being ignored by the officials. The civil society is only able to indicate the committed abuse, however it is too weak to produce a change at the level of decisional act, only being heard but not listened to.

### Target group

- official institutions;
- the NGOs and their coalitions;
- international donors.

### Impact

A torn civil society that has difficulties in mobilizing itself and which is frequently absent from certain important events for the Moldovan society contributes to the defective accomplishment of the civil society mission in a democratic country. This state of affairs favours the abuse of the leadership that can promote its own interests without having a fear of adverse reactions from the civil society. The NGO network is not really well set up so far, and the connections between the NGOs from the country and the capital are quite unsatisfactory. Many times the NGOs react to certain events only after external implications. That is why, there is a competition spirit among the NGOs in the Republic of Moldova but their cooperation with the public institutions of the Republic of Moldova varies according to the function of the institution and sometimes according to the amount of the grant. Due to this fact, the NGOs compete to set up a connection point with the state that lead to the constant alienation of the civil society. An additional study regarding the civil society consolidation from the Republic of Moldova mentions as the most cooperative institutions with the civil society the Ministry of the Foreign Affairs and the European Integration and the Ministry of Justice<sup>1</sup>.

The civil society, as well as the press and the public opinion are quite overwhelmed. The abuses have become a standard so that the society reacts slowly or not at all to these violations. Another essential aspect for an active civil society is the provision of the freedom of meetings, the actions such as advocacy campaign are quite a few, and therefore even the initiatives of some donors to support certain campaigns are ignored by the society. This fact proves lack of maturity of the civil society as well as lack of interest towards supporting a transparent and active democratic process. This condition is transmitted to the citizens who become anaemic towards the actions related to the development of the Republic of Moldova.

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<sup>1</sup> Denis Cenuşa, Consolidation of the civil society from the Republic of Moldova, Expert Grup/ADEPT, 2007, p. 26-27.

## Dynamics

The civic spirit and the disagreement with the reference to the governmental decisions are measured according to the function and the amplitude of the civic protests. In 2007, the civic protests have been quite weak. Among the most visible ones was the protest organized by the Small Business Association, through it the expressed their discontent with the cancelling of the entrepreneur licences. Another association that had periodically picketed various state institutions is the Hyde Park Association. Although its protests were rather symbolic and did not have the massive support of the population, the authorities responded quite toughly and detained some of the protestants even though all their documents were in order. The same thing happened to Varvara Zingan, a citizen of RM who was dissatisfied with a court decision and was protesting in front of the Parliament with an authorisation from the city hall. The victims of the communist repressions have several times picketed the Government and the Parliament demanding some legislative changes. It should be mentioned that in this case the authorities took into consideration some of the claims. The acknowledgement of the freedom of meeting is essential for a healthy civil society. However, some NGOs have expressed their concerns regarding respecting the liberty of meeting in Moldova.

But the journalists protested in front of the Parliament and in the Square of the Ballet and Opera Theatre against the cease of the TVR 1 channel transmission and asked to be respected the rights of the journalists. The year 2007 ended with an original flash-mob as a reaction to the abuses of the state authorities that moved the Christmas Tree from the government building.

## Factors

- fund competition;
- immaturity of the civil society;
- the government tendency to control the association sector;
- the absence of a civic culture.

## Anticipations

It is quite unlikely that in 2008 the civic society should become more consolidated since this process involves time. There seems to be a lack of consensus in the civil society regarding the common values and ideas, the civic actions are still perceived as political acts and not necessarily as civic acts. The coagulation of the society is possible provided a group of intellectuals appears who are capable to generate debates in the society and not just in the narrow think tanks.

## Questions

- Why do the authorities have no tolerance for civic acts in the Republic of Moldova?
- What should this core of the consolidation of the civic society look like?

## P 2. Local elections with intimidations

### Subject

The local elections in Moldova took place with certain frauds. The civil society (The Coalition 2007) and the international organizations monitored the elections and concluded that the shortcomings were not very grave. However, the local elections continued in the second half of 2007 with much more critical frauds that were pointed out by the mass media only.

### Description

The local elections took place between 3/17 of June 2007 throughout the country. The international organizations such as the Organisation for Security and Cooperation in Europe/ the Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and the Congress of Local and Regional Authorities of the Council of Europe have put forth considerable efforts to monitor the elections at all stages. The European Parliament sent a few observers. The OSCE officials stated that altogether, the elections were well-administrated and the voters had the possibility to choose from a variety of candidates. On the other hand, in the preliminary conclusions of the OSCE/ODIHR it was shown that the citizens' right to candidate was violated through the intimidation of the candidates, also the access to mass media was inequitable and the secret of the vote was not respected. The elections were perceived as partially free and correct by the international observers. Even though on 3 and 17 June there were present numerous international and national observers (The Coalition 2007), at the ballots that took place in the Rezina county and the villages of Buțeni and Corjova there were no observers present and that is why the committed frauds were not highlighted.

On the territory of the Transnistrian region and in the village of Corjova the elections could not be organized. In Corjova, which de jure belongs to Moldova, both on 3 and 17 June the Transnistrian authorities had forcefully closed the voting section, mistreated and prevented the citizens from electing a mayor and councilors. Even though the village of Corjova is under the jurisdiction of Moldova, the Chișinău authorities did not manage to ensure the democratic elections in this village. The created situation denotes the state incapacity to control its whole territory and to implement the democratic elective standards. The Transnistrian authorities did not hesitate to use force and to show aggression towards the Moldovan law-enforcement units on both 3 and 17 June. In Rezina on the 11 November there took place repeated elections. In the pre-election period, the press has drawn attention towards numerous shortcomings. In Buteni the situation worsened on the 16 December when the people from the village used violence to solve the election problem.

### Target group

- election candidates;
- voters;
- international organizations;
- authorities.

### Impact

The intimidation of election candidates has been considered the most serious fraud throughout the local elections. This is not a practice that is peculiar to western democracies and gravely affects the political life in any democracy. Every citizen is entitled to candidate and the political slant cannot be a sound reason to apply administrative or police pressure to the citizen or the political group that he/she represents. The intimidation and terrorizing the political opponents is a practice met in the low-developed democracies. The elections for the county council of Rezina took place on 11 November. Unfortunately, this time there were no international observers and the national ones were too less to be able to follow all the committed abuses and the utilization of administrative resources. The election from Buteni still continue serving as an example of the obstinacy of the ruling party in obtaining the power even though it was obvious that the majority of the voters preferred the non-communist candidate.

## **Dynamics**

The problem of intimidation of the election candidates existed also in 2006, however, at that time the intimidation mostly occurred by means of justice.

The anticipations formulated in 2006 were realistic thus with the case of local elections in 2007 the number of intimidation instances increased. It occurred through police force or the political functionaries.

## **Factors**

- contempt for political rights;
- clear political interests;
- use of police in political interest.

## **Anticipations**

2008 will be the year when the political parties will begin their unofficial election campaign. The first signs have already appeared in October-November 2007. In this framework, the attempts to discourage the opposition and to limit its access to public mass media will intensify. The authorities might use the General Prosecution to disclose some facts and thus hinder some political parties or inconvenient political persons.

## **Questions**

- How to eliminate or prevent intimidation during the election campaign?
- How do these frauds affect the image of Moldovan democracy in the view of the Council of Europe and the European Union?

### P 3. The authorities and the civil society: cooperation or co-optation?

#### Subject

In the Republic of Moldova, the civil society is underdeveloped and devoid of critical spirit, being able to monitor the governmental institutions and to promote the democratic reforms only up to 20 per cent.

#### Description

For many ex-soviet republics, such as Belarus, The Russian Federation, and Turkmenistan the concept of civil society has a western flavour, which is alien for the native political culture. Many times, the authorities of these states consider that an active civil society represents a threat for the Power holders. Similar opinions are also spread in the Republic of Moldova.

According to a recent study, in the Republic of Moldova there are presently registered approximately 7000 nongovernmental organizations activating in different fields. According to the same study for a thousand of residents of our country there are on average two nongovernmental organizations. Notwithstanding the fact that the NGOs have intensified their presence in the elaboration, monitoring and evaluation process of the public politics, there has not been any outstanding success. Despite the large number and the diversity of the activity domains, the NGOs have not managed to impose as an important actor in supporting the long-lasting development of the Republic of Moldova. From the early establishment of the nongovernmental sector, the state did not appreciate accordingly the potential of the nongovernmental organizations regarding an exceptional contribution to the solution of the social-economic tasks of the country. Thus, this sector was not taken into account and it developed individually with the support of external grants. Later on, as the analysis, monitoring and expertise capacity of the public politics increased from the NGOs, the public institutions felt uncomfortable in their activity since they had to confront severe critics from the NGOs or the NGO coalitions that became extremely active after the signing of the Action Plan RM-EU in February 2005. The collaboration with the civil society became useful for the public institutions not just in improving the process of elaboration and monitoring of the public politics, but also in providing the established conditions by the European partners, and namely the realization of some activities in a partnership with the civil society. Therefore, some legislative acts were drawn up to institutionalize this partnership: The concept regarding the cooperation between the Parliament and the civic society<sup>1</sup>, The collaboration mechanism between the Government and the civic society in the Republic of Moldova<sup>2</sup>.

However, only a small number of NGOs were able to provide consultations to the public institutions, the rest being shapeless or not able to provide proper consultations other than they mostly get involved into promoting some social activities or endorsement of some values. Despite numerous programs of international donors of development and consolidation of the associative sector of Moldova, it remains rather weak and it is still in formation process.

This fact makes the associative sector vulnerable towards the initiatives of the government that uses the activity of this sector to play-act a close and fruitful cooperation in front of European observers and on the other hand it takes the credit for the results of the NGOs activity as to include them in the reports regarding the implementation of the RM-EU Action Plan without any financial contribution to their establishment.

#### Target group

- nongovernmental organizations;
- international donors;
- governmental structures;
- citizens.

#### Impact

Lack of a platform in the consolidation of the Moldovan civil society and the realization of a serious collaboration of the government based on common interests and activities delay the process of reform and democratic development of the republic of Moldova. The cooperation of the civil society with authorities

<sup>1</sup> Parliament Decision 373-XVI on approval of the *Concept regarding cooperation between the Parliament and civil society*, 29.12.2005.

<sup>2</sup> *Cooperation mechanism between the Government and the Republic of Moldova*, 27.04.2006.

should improve the quality of the governing acts as well as improve the legislative process, supply a larger representation of social interests, contribute to the fulfilment of the commitments of Moldova in front of the Council of Europe, the European Union, NATO, UNO and other international organizations.

The numerous NGOs perform a parallel and unofficial monitoring of the compliance of the commitments of Moldova. However, frequently the authorities perceive these efforts of unofficial monitoring as attempts to harm the image of Moldova abroad and accuse the experts from the civil society of irresponsibility. Lack of communication between the public institutions and the NGOs results in diminishing of the promotion of some innovative ideas in the realization of public politics.

Meanwhile, the absence of a durable connection between the two actors (the associative and the governmental) reduces the quality of the debates with the reference to national projects such as the National Development Project, the Action Plan RM-EU, documents that refer to national security, and the state support of the NGOs projects makes them dependent on external funding as well as on the objectives and values of these funds.

## **Dynamics**

The cooperation with the civil society is not efficient so far. Many times the authorities simulate cooperation. On the other hand, the NGOs demonstrate excessive obedience with reference to the Government. The recent legislative modifications regarding the Public Association Law stipulate their repeated registration. The situation is not as grave as in 2005 when in internet forums there was a General Prosecution directive circulated in which the territorial subdivisions were encouraged to strengthen the control over NGOs. Comparing to 2006 there has been noticed an intensification of cooperation between NGOs and public institutions, however it was mostly due to the fact that 2008 is the last year of the implementation of the Action Plan RM-EU.

## **Factors**

- lack of cooperation culture and the erroneous perception of the society as an enemy;
- lack of a governmental platform of supporting the NGO activities;
- lack of institutional frame;
- obedience of the Moldovan civil society.

## **Anticipations**

In spite of the fact that many NGOs refused to participate at the Annual Conference organized by the Government regarding the cooperation between the authorities and the civil society as a protest sign against the attitude and the simulation of cooperation, the intensification of the process of approaching the EU will lead to the better awareness of the necessities of a closer cooperation between the public institutions and the NGOs.

## **Questions**

- What is the scale of cooperation between the authorities and the civil society?
- What organizations represent the civil society in the dialogue with the authorities?
- To what extent can the activism of the civil society be simulated?

## P 4. Lack of efficient control over the Security and Information Service

### Subject

The press and some of the active segments of the society have expressed their concerns regarding the independence of the Security and Information Service as well as putting into effect the public control over this Service, particularly after the performed modifications in its management.

### Description

In any democratic regime, the secret services are controlled by the Parliament, society or justice. Even if there is a Committee for National Security, Defence and Public Order in the Moldovan Parliament that should carry out a parliamentary control over SIS, its activity is defective.

On 2 November, the 56 communist deputies and a few representatives of the Christian-Democratic fraction have approved the proposal of the President to appoint Artur Reșetnicov as the Director of SIS who previously had the function of the counsellor of the RM President and at the elections in 2001 was the representative of the Communist Party in the Central Election Commission. The appointment of Artur Reșetnicov in this function raises concerns since he is a person close to the President Vladimir Voronin who is also the leader of Communist Party<sup>1</sup>.

On the same date, the Parliament approved the Law regarding the status of the information and security officer. The press indicated that this law stipulates that the future employees will be tested with the polygraph (the lie detector). At the same time, the Parliament adopted a bill that will attribute the exclusive right of telephone tapping to the Security and Information Service. Previously there were four institutions that could use this prerogative: the Ministry of Internal Affairs, the Security and Information Service, the Centre of Combating Economic Crime and Corruption and the General Prosecution. The official invoked reason was the lack of finance to purchase the modern equipment of tapping the telephone calls.

Tapping of telephone conversations is a common practice in the Moldovan juridical system; however, SIS does not inform the persons about phone tapping in case the person is found not guilty. In this framework, the biggest threat is the use of SIS as a political tool and a means of concentration of the activity of the special services on certain tasks coming from the president or the Communist Party.

### Target group

- Opposition politicians;
- businessmen;
- journalists;
- prominent figures of civil society;
- RM citizens.

### Impact

Although it is not a problem with direct impact, there is a threat of establishing control by SIS over the political opposition that could lead to power conservation by the actual government. Second of all, there is a risk that the information obtained by tapping is not destroyed but stored and can be used later on as blackmail in an election campaign or a judiciary process. The third aspect has to do with the concentration of competencies of SIS that could lead to the transformation of SIS into the fifth power in the state. The last aspect refers to the integrity and dignity of the SIS staff members because there should be a guarantee that the confidential information will not become public. The case of a retired SIS employee that was coordinating a network of forging documents and facilitating illegal migration is suggestive. The former SIS member was using the confidential information and was using the connections to certain persons from the Russian secret services<sup>2</sup>.

<sup>1</sup> Alina Radu, *Detector of the lies on the threshold of SIS*, Ziarul de Gardă, November 8 2007.

<sup>2</sup> Irina Codrean, *To European Union via the VIP*, Timpul, 14.11.2007, p. 1.



## **Dynamics**

The problems of reforming of Moldovan secret services appeared at the end of the 90ies of the last century. When Moldova signed the Individual Action Plan with the North-Atlantic Alliance, the necessity of reforms of security domains has become more severe. Is it still not clear to what extent there are still ex-KGB officers in this service. The case of the former SIS director Valeriu Pasat is quite expressive in this regards. There are well-grounded reasons to believe that he served the Russian interests when he was the SIS director.

The National Security, Defence and Public Order Committee do not perform an effective control on SIS. The budget of SIS is around 110 million lei but some of the lawyers express their concerns that this money can be used to spy on those who maintain this service. There were cases when the SIS employees requested from the banks confidential information about their clients and the banking institutions workers did not even attempt to protect the commercial secret. Although the reform is needed, and even some SIS members are aware of it, its delay is caused by the involvement of political interests and the desire to subordinate this institution.

## **Factors**

- The politicalization of public administration;
- The lack of efficient protection of intimacy right;
- The legislative provisions that give a discretionary power to SIS.

## **Anticipations**

SIS telephone tapping and the appointment of the director of this service of one of the former presidential counsellor will result in the establishment of a close control by the President of the Republic of Moldova and implicitly by the Communist Party over this institution. This tendency can be regarded in the framework of preparation for the parliamentary elections in 2009 when SIS activity will be very useful for the governing party.

## **Questions**

- What are the control mechanisms over Security and Information Service?
- To what extent will a former presidential counsellor avoid the politicization of this law-enforcement unit?

## **P 5. Moldovan strategies from paper to reality**

### **Subject**

Strategies and action plan have become frequently used tools by the government. The government elaborates strategies in various fields and afterwards establishes action plans for their implementation. Even though the number of strategies increases, their implementation is quite slow and sometimes non-existent. The solid results are virtually absent.

### **Description**

The number of strategies approved by the government is constantly increasing, although the government does not manage to implement the adopted ones. Health System Development Strategy for the period 2008-2012, “Modernization of the Country – Welfare of the population”, the RM-EU Action Plan, the Economic Growth and Poverty Reduction Strategy (EGPRS), the National Program “Moldovan village”, the National Strategy on Prevention and Combating Corruption, National Strategy on Building the Informational Society, Strategy on Central Public Administration Reform, the Individual Action and Partnership Plan “Moldova-NATO”, National Development Plan are only a few of the hurriedly approved documents by the government. Their adoption was done mostly due to external recommendations and support. The most important of them is the European Union-The Republic of Moldova Action Plan (EURMAP) adopted at 22 February 2005 along with the Economic Growth and Poverty Reduction Strategy (EGPRS) it can be regarded as one of the most significant reform agendas. The monitoring of the EURMAP implementation represents a classic example on the implementation of strategies. It is true that the authorities have the intention to realize the stipulated reforms of the EURMAP; unfortunately, they do not have the necessary competence to implement them. The first assessment of the European Commission of this Action Plan was a critical one; the second that is due on 9 April 2008 most probably will conclude that the Republic of Moldova failed to fulfil the undertaken commitments of this document.

There is a certain discrepancy between the declarations of our officials and the conclusions of European officials in Moldova. Compared to other counties that planned to implement the EU Action Plan in five years, Moldova decide to do the same thing in three years. In this case, the implementation of EURMAP will be extended as well as the Partnership and Cooperation Agreement (PCA).

### **Target group**

- The executive power, the ministries – have the aim of implementing the sector provisions of the strategic programs;
- International donors - they support the process of reforms in the Republic of Moldova;
- The ordinary citizens – the direct beneficiaries of governmental politics as well as the tax payers for the accomplishment of these strategies.

### **Impact**

The assumption of great commitments in a short period of time leads to neglecting the undertaken deadlines that decreases the credibility of the Government. In relation to the AP, the Government realized that the delays are undesirable and decided to speed it up. The declaration of the prime-minister Tarlev that the AP must be implemented until 17 November has been another attempt to impress those who follow the evolutions of Moldova on its way to reforms. The western partners do not understand why Moldova assumes overstated commitments that obviously cannot be fulfilled in such a short timeframe. Fortunately, the European and international donors mostly pay attention to the happenings in the lives of the citizens and not to the declarations of the prime-minister at the meetings of the European Integration National Committee. At one of these meetings, the prime-minister stated that Moldova makes great progress; however there is a communication deficiency with the European institutions which because of the press and the “experts that were not asked to be experts” do not manage to find out the real progress of the authorities.

### **Dynamics**

The Government of the Republic of Moldova adopted this year the National Development Plan for the period 2008-2011 that would include the remainings from other strategic documents. The intention of the government, although noble, stirs confusions as to the finalizing the other strategies. This fact creates difficulties to the public functionaries who do not know what document to keep to. NDP would be a useful tool of attracting European funds, however this fact would obstruct the activity of public functionaries on which is dependant the efficacy of the implementation mechanism of the NDP provisions.

### **Factors**

- The excessive centralization of central administration institutions;
- Lack of human resources and necessary funding;
- Excessive bureaucracy;
- Absence of political will;
- External pressure.

### **Anticipations**

The implementation of NDP as well as the accomplishment of EU-RM Action Plan would stimulate the decisive factors to improve the quality of implementation of the strategic directions. However, the proximity to the parliamentary elections of 2009 would orientate the public towards the organization of election campaign rather than to the successful implementation of strategic programs.

### **Questions**

- What is the number of the adopted strategies by the government?
- Should the government be changed, will the programs of national importance be continued?
- What are the expectations of the donors towards the implementation of governmental decisions?

## P 6. (Non-) transparency of the public institutions

### Subject

Even if the information access is regulated by law, the public institutions are still non-transparent. The real transparency of the national and local public institutions would increase the citizens' confidence in these institutions and would solve the serious communication problems between the decision-makers and those who are influenced by the effects of these decisions, i.e. the citizens.

### Description

Although Moldova makes an effort to build an informational society, there are still numerous organizations that do not have web pages, or their pages present general information. The public control of the property of public functionaries would serve as a good example of transparency if carried out efficiently. Other countries have the practice of online publishing of the property declarations of the public functionaries, though in Moldova this practice is still not functioning, even if some of the members of the National Ethics Committee recommend it.

Another example is the activity of the State Registration Chamber. It is a public institution that possesses information regarding the companies' owners, their registration and their economic activity, but it provides this information only against payment. In case the press or the taxpayers would like to find out who the owner of a company is and when it was registered then they have to pay to receive this information from a public institution.

Another case mentioned especially by the parliamentarians from opposition parties (PSL) is the use of vehicles and service apartments for personal use. The vehicles that belong to the Parliament are used by the parliamentarians to visit their relatives or to travel throughout the country. In case of accidents, there are attempts of covering up these facts as it happened in October when a vehicle with presidential number plates caused a traffic accident and disappeared from the accident scene. The police ignored the statements of the witnesses and decide to cover the case up. In this situation, when the police was withholding the information only owing to a private television channel the public found out about this incident.

Another transparency issue would be the Governmental sessions. The press has a limited access to the discussions within the government because of poor arrangement of the place designated for journalists. The Governmental decisions are not entirely published online and when there is a discussion on spending public money, the documents that are presented to the journalists miss the exact amounts that are spent by the government.

NOT just the governmental institution is a closed one but also the presidential institution. There are certain problems at the local level as well especially referring to the activity of the Municipal Council of Chişinău. The local residents do not have access to the debated projects but only to the meeting agenda.

### Target group

- public functionaries;
- citizens, researchers;
- politicians.

### Impact

The absence of transparency in the relationships institution-citizens, institution-press has several major consequences. First of all, it intensifies the distrust for the public authorities. The opacity and the secrecy that prevail in many of the public institutions contribute to the appearance of corruption temptation. The control from the press is still quite weak and very often it depends on the good will of a functionary to obtain some information. This fact creates a distorted belief of the citizens who may think it is more important to obtain the good will of a functionary rather than he should respect certain legal provisions.

The discrediting elements should be eradicated from the relationships institution-citizens, institution-press. There was a proposal of a project for the transparency increase of the public authorities from the Conflict Solving Institute INRECO. It referred to the transparency increase by online transmissions of meetings, public debates of draft decisions, roundtables, field visits, creating some block consultant councils,

## Dynamics

The citizens do not know too much about the strategies of the government and the way the public money is spent. In comparison with 2006, the situation has not improved and the public institutions have not become more transparent. Although the adoption of the Conflict of Interest Law is expected by the Parliament, the experts consider that it will not bring major changes. The law stipulates that the functionaries who realize that taking a decision might favour them and serve their personal interests should restrain from taking such a decision. However, even if all functionaries would declare their interests, there is no mechanism in the law that could check the veracity of these statements. The experts from Transparency International consider that this bill must be amended totally.

## Factors

- corruption;
- lack of technical equipment;
- discretionary power of the functionaries;
- poor informing of the citizens;
- deficient communication of the central institutions with the citizens;
- personal interests and incompetence of some of the functionaries.

## Anticipations

Although the Central Public Administration Reform is still in progress, it should come up with solutions on increasing the transparency of the public institutions. A high degree of transparency will exist only when the National Ethic Committee is functional. Competent functionaries with a good salary are still rare in Moldova. When the functionaries begin to realize that they serve the citizens, the transparency will increase.

## Questions

- Can the transparency contribute to the growth of trust of the citizens into central public institutions?
- How does the insufficient control of the press and the citizens over the public institutions affect the quality of Moldovan democracy?

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<sup>1</sup> „We want to assure more transparency in mayor's office”, interview with Veaceslav Guțuțui, Timpul, 07.11.2007, p.5.

## P 7. Opposition without an attitude

### Subject

In classic democracies, the defeated accept the results of elections and change to opposition. In the Republic of Moldova, opposition has become a vague notion, which frequently appears in public speeches. The large number of parties, that define themselves as opposition parties, inconsistently proclaim themselves as well as the pro-communist parties in order to be differentiated from communists.

### Description

The chances of having a united opposition before the elections in 2009 are least possible; however, in the Republic of Moldova there still exists a nice myth of a united opposition. The compared politics shows us however that in countries where there exists a proportional election system, the alliances are unstable and the creation of governmental majorities is quite difficult. The election results in June 2007 have complicated the political situation, due to the fact that in 22 district councils the communists are in opposition whereas at the national level they are governing. These levels of the Power erase the idea of opposition. Throughout 2007, there were attempts to coordinate the post-election activity of the non-communist parties. Thus on 24 July the Declaration of Majority Establishing in the Municipal Council of Chişinău was signed between PD, PPCD, PL and AMN. The respective majority was viable for a month and then it collapsed. In the district councils, the coalition formation was done under the umbrella of the Alliance Moldova Noastră (Our Moldova), which was the second in the local elections. Nevertheless, as soon as the negotiations were over, the press started talking about the tension that appeared in the post-election alliance because of the ambitions of AMN. The attacks between the coalition partners burst out again so that in November there was signed the Declaration of the majority constituting parties at the local level. In accordance with this declaration, six parties committed to refrain from reciprocal attacks.

The new elections for the District Council of Rezina should serve as a lesson for the non-communist parties. After the ballot of 11 November, CPRM obtained the majority in the District Council of Rezina. After the June elections, the Council could not be assembled since the non-communist parties could not find a compromise formula. The voters punished them by voting for the communists on 11 November, thus the non-communist majority totally lost the local elections for the District Council of Rezina. The repeated elections from Rezina should serve as a lesson for non-communist parties.

### Target group

- politicians;
- party members;
- voters.

### Impact

The absence of a consolidated opposition favours the Communist Party and often the analysts come up to the simple explanation that the responsible person for the excessive fragmentation of the Opposition would be the “responsible” Presidential councillor for political issues – Mark Tcaciuk. This is quite improbable since the respective councillor does not possess the Romanian language very well; he does not appear in public too often and does not engage too much into the activity of the opposition parties. Not a single opposition leader could come up with clear examples of the deliberate fragmentation of the Opposition; meanwhile the parties accuse themselves of collaboration with the governing party. The problem of the opposition parties is the superficial cooperation, especially that the repeated elections for the District Council of Rezina proved the extent of dispersal of the Moldovan opposition. There existed a constructive opposition until 2007, however now the politic consensus has disappeared and CPRM is left without allies in the Parliament.

The opposition press wrote about massive embezzlement of funds at the Memorial Complex “Eternity”, the money laundering of hundreds of millions with the road renovations, the dubious provision of 93 million lei to a bankrupt company as “Air-Moldova”, the adoption of laws at the order of some group interests, opposition persecution; however, there are almost no evidence of these. The discourse of the

opposition parties should be more established.

## Dynamics

Cooperation continues to be the most difficult process in the Moldovan politics. Not only the cooperation between the central and local authorities is being sluggish but also the cooperation between various parties that form the governing majority in the Municipal Council of Chişinău. The defective cooperation of the local and national authorities may threaten the food security of the country in the first months of spring 2008 when the state wheat supplies will be almost finished and the prices of food will grow.

Compared to 2006 when the opposition was much weaker, in 2007 after the local elections we have opposition parties with more influence at the local level, but with more ambitions. The central authorities speculate regarding some “legislative gates” in order to discredit the opposition parties. The example of TERMOCOM and the way it sets up the tariff for the thermic energy is the peculiarity of the year. At the same time, the Moldovan opposition is more fragmented in 2007 and some of the parties as PPCD continue “to flirt with the governing party”. In 2007, the notion of “political opposition” has become more confused, because wherever they lost the elections at the local level, the communists posted it as “total opposition”. The only moment when the Opposition had a common stand was the Budget Law for 2008, which to some extent united the non-communist parties, eight parties (AMN, PD, PDS, PSDM, PPR, PL, PSL şi UCM) have signed a declaration to determine the budget elaborated by the Tarlev Government for 2008 as discrediting.<sup>1</sup>

## Factors

- nature of the political system;
- election system;
- politicians’ mentality.

## Anticipations

The proximity of the parliamentary elections in 2009 would stimulate the approach of certain forces of the opposition. However, this approach would happen in the frame of competition for power and it would not be based on a platform that would stand for solving the grave problems of the Moldovan society.

## Questions

- What would be the principles to unite the Moldovan Opposition?
- Why are the declarations of majority constituting not respected?

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<sup>1</sup> Alina Ţurcanu, *A „discriminating” budget*, Timpul, 21.11.2007, p. 3.

## P 8. Failed identity politics

### Subject

Identity is still one of the problems that divide the society from the Republic of Moldova. The state politics attempts to create a Moldovan identity within a multiethnic society with peculiar features: the Moldovan language, a history separated from the Romanian history and the fixation of the idea that there are major mentality differences between Moldovans and Romanians that justifies the existence of a separate Moldovan ethnic which is distinct from the Romanian one.

### Description

Throughout 2007, certain identity politics have attracted the public opinion attention. Especially the language problem caused several misunderstandings, while most of the historians protested against introducing into the schools of new courses of integrated history. The Soviet past is another identity element positively assessed by the representatives of the Communist Party. Having an administrative mechanism at their disposal, the Communist Party of the Republic of Moldova is trying to promote the program of the party with the main identified threat for the identity of the citizens of the Republic of Moldova is the doctrine of Romanism. In this regards, throughout this year there was a real witch-hunting accompanied by threats and discrediting statements addressed to those who identify themselves as “Romanian” by ethnicity.

Driven by the efforts to build an identity, the Moldovan authorities do not hesitate to violate the rights of other categories of citizens. The draft law regarding the interdiction of access to some public functions for those who have dual citizenship belongs to the same efforts to enrol into public administration only “patriots with Moldovan documents.”

The name of the language still represents a debate issue. However, the scientists have confirmed the lack of differences between the Romanian language and the one spoken by the citizens of Moldova, the top members of the Communist Party, who also have administrative functions in the state, attempt to give some plausibility to the idea of the existence of two different languages.

The history is another matter for debate. Until now, there was the subject “The History of Romanians” taught in schools, and then the education department authorities decided to change it with the “The Integrated History”. Nevertheless, the edited textbooks had grave errors, more than this; they portrayed in bright colours the Soviet period and the period from 2001 on.

The official authorities hang up to the Soviet past, a vivid example would be the pompous celebration of the Victory Day over the Nazi Germany on 9 May. The Europe Day (9 May) has been considered as less important and with a lower election potential.

The positive consideration of the Soviet past, as following the example of the Russian Federation, represents the existence of ideological attachment towards the Soviet times within the Communist Party of the Republic of Moldova, which had several attempts to transform the soviet past into a native identity element. The construction of the “Eternity Memorial” from public money is one of the latest evolutions in this direction.

### Target group

- Education sphere authorities;
- Citizens, especially, schoolchildren, students;
- Mass media.

### Impact

Even though in the opinion polls the population does not indicate the ethnic conflicts as an important problem (4% according to the last IMAS poll)<sup>1</sup>, the identity continues to dominate the public agenda. The identity problem limits the activity of the ordinary citizen who is automatically placed by the governing party into an identity camp.

In this regards the stability and internal security is threatened since the authorities promote a

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<sup>1</sup> Social – political barometer Omnimas, November 2007.



discrimination politics towards citizens with different opinion referring to their self-identification, thus violating fundamental human rights.

Also the authorities attempt via different means such as the illegal jamming of the transmission of the channel TVR1, limiting access to certain radio stations (The Voice of Basarabia ), and by not providing some popular frequencies try to include the citizens into a single identification format, set up by the governing party. Obviously, these situations cause the discontent from the citizens who have repeatedly organized protests. Some larger manifestations cannot be excluded as well since the language and ethnicity are essential aspects of the national identity.

## **Dynamics**

During the first years of independence, Moldova adopted the Romanians symbol and from 1994 until 2001, the state did not interfere significantly into the identity politics. Starting with 2001, the identity politics has become an extremely important sphere for the Communist Party, because it is the only party that promotes ideologies of other identities than the one promoted between 1989 and 1991.

Absorbed by the efforts to promote the differentiation between Romanians and Moldovans, the Communist Party adopted Soviet positions referring to the identity of the majority of the population. The sociological data shows that the majority of those who see themselves as Romanians do not consider that the Communist Party represents their interests. The promotion of a identity construction in the curriculum of the secondary education institutions has caused discontent from the youngsters as well as their parents.

## **Factors**

- The recommendations of the Council of Europe;
- The involvement of the Communist Party into the promotion of state identity politics;
- Resistance towards identity change.

## **Anticipations**

The appointment into the function of Presidential councillor of the former deputy minister of education Viorelia Moldovan- Bătrâna confirms that the interest towards the education sphere has increased. At the same time, the Council of Europe recommended the adoption of a new Education Code that would have to promote a certain type of identity.

## **Questions**

- Why do the identity politics promoted by the Communist Party cause adverse reactions?
- How does the educational politics influence the national identity?
- Will the educational politics change, provided new parties become governing?

## **P 9. Government controlled by the President and not by the Parliament**

### **Subject**

A peculiar problem of the Moldovan democracy is the absence of control of the Parliament over the Government. The Parliament controlled by the Communist majority rarely requests clarifications and quite often the Government proceeds according to the suggestion of the Presidential representative within the Government.

### **Description**

The fundamental question is what institution leads the Republic of Moldova? The economy liberalization initiatives were announced by the president Vladimir Voronin and further explained by Oleg Reidman, the economic issues councillor of the President of Moldova. Quite often, the governmental agenda includes issues upon the request of the Presidency. It is nothing blameful, however in most of the cases these proposals are conveyed on the same day, so that the respective ministers do not manage to find out exactly what happened.

The governmental meetings are not a free debate forum, but more of a “voting machine”. There are rarely met any objections from ministers or free opinion expression regarding the vote proposed issues. In most of the cases, it is the prime-minister Vasile Tarlev who sets up the limit of allowed discussions. The prime-minister councillors elaborate the modifications of governmental decisions and come up with positions /informative note regarding the majority of issues

It is worth to mention that in this regards, every ministry has its share of influence in the discussions. The recent initiatives of solving the Transnistrian conflict have been expressed by the president again, and the Minister of Reintegration, Vasile Şova in this regards faded into background. The absence of a reaction to the decision of the Russian Federation to open voting sections on the territory of the Republic of Moldova, most probably is based on the ignorance of this problem by the Presidency.

### **Target group**

- Government;
- Presidency;
- Citizens;
- Mass-media.

### **Impact**

If the most important decisions are taken by the presidential institution, then the function of the Government reduces to a mere voting machine. It violates the principle of power separation in a state and is a deviation from the democratic norms; furthermore, it slows down the transition of Moldova towards a consolidated democracy.

Many times, the dependence of the government on the presidential councillor opinions causes confusions because there are also the councillors of the prime-minister. Let us remember the Declaration of the Prime-minister Tarlev with the reference to the absence of public functionaries within the Government who would have dual citizenship. Even though the law, which stipulates the interdiction of access of persons with dual citizenship to various public functions, had not been adopted by the Parliament so far, the Prime-minister stated that there were no such functionaries in the Government. If there were no legal conditions then according to what law were those checks done? This is a case of authorities abuse, especially of the prime-minister who eagerly obeys all the indications received from the President. Actually, many ministers forget that Moldova is a parliamentary republic and the portrait of the President of the Republic of Moldova can be seen in many offices of the ministers and representatives of local administration.

### **Dynamics**

The dependence of the ministries reduces the autonomy of these structures and limits the liberty to

identify the solutions for the respective spheres. Consequently, we witness a decline of the ministerial structures that should recommend governmental politics. The recent economy liberalization initiatives took place only after an inconvenient minister of economy and commerce Valeriu Lazăr was replaced by Igor Dodon. This change also made the presidential councillor Oleg Reidman participate at the important press conferences regarding the recent economic reforms generally called “economy liberalization initiatives”. In these cases, the media questions were addressed mainly to the presidential councillor, especially since these initiatives were launched by the President of the Republic of Moldova, Vladimir Voronin.

The Government and the Parliament voted these legislative initiatives with an extraordinary speed. On one hand, the president took over the place of the minister of economy and commerce, and from the other hand, such events show that the decisional centre remains in the Presidential Palace, even though the political system is a parliamentary one.

### **Factors**

- The existence of state power hierarchy;
- Political centralization;
- Weak political opposition.

### **Anticipations**

The principle of power separation in the country will continue to weaken, because as the parliamentary elections are getting closer, the pressure from the President and the Communist Party will grow. The authorities will try to make use of populist actions in order to recover the confidence of the voters, and a dutiful administration and government will serve only the interests of the adepts. The parliamentary control over the government is virtually non-existent. The system of checks and balances will not be functional in Moldova until 2009.

### **Questions**

- Why did namely the President of the Republic of Moldova initiate the liberalization reforms?
- How can the speediness of executing the President’s unwritten indications be explained?

## P 10. Civic or Parish culture

### Subject

The relation between the political culture and the political structure is extremely important to understand the stability and political changes. In the Republic of Moldova, the democratic structures still do not have a political culture of democratic type as a support, but one specific rather to the obedient type.

### Description

The state institutions and the citizens should be as close as possible. At the same time, the citizen should understand that they are the one who can influence the administrative decisions, because the bureaucrats and the politicians in their speeches usually appeal to the interests of the citizens. Unfortunately, in the Republic of Moldova, the state institutions are viewed as corrupt and the population does not trust them. Mostly it is due to lack of civil culture that represents the type of civil culture peculiar to western democracies. The civil culture assumes competent citizens. Moreover, as competent citizens, people perceive themselves as being able to affect the governmental decisions through political influence, by threatening to withdraw the vote or other types of pressure. As compared with competent people, the parish culture is mostly characterized by competent obedient. They perceive themselves as being able to appeal to a set of common and systematic laws in the contacts that they have with the governmental officials. The more the population is able to have political influence, the more the bureaucracy is inhibited to act abusively and to neglect the person.

The Public Politics Institute has done a survey, which shows that actually, the political culture in the Republic of Moldova is a parochial one; the majority of the citizens do not believe that they can influence the political decisions. At the local level, only 5.9 % of the interviewed said that they can considerably influence decisions, whereas 17.5% stated that they can influence them but to a smaller degree<sup>1</sup>. On the other hand, almost 70% of the interviewed citizens stated that their influence is small or non-existent. The survey stated that especially the Russian and Ukrainian minorities consider their influence non-existent, over 80 % of the questioned have estimated their influence as non-existent both at local and national levels.

### Target group

- State institutions;
- Citizens;
- Scientists, sociologists.

### Impact

In the Soviet period, the civil activism was politicized. Nowadays, the Moldovan citizens have kept the stereotypes and attitudes that are typical for Soviet period, when the state was ubiquitous and dealing with everything. The population expected that the most important decisions would come from the state; it should supply the people with jobs, offer solutions for any problems at the local level, improve the economic and social situation in the country and intervene in the economy, etc. This mentality type hinders the development of individual initiatives and is spread in most of the social layers. According to the Moldovans' vision, the state represents the providence.

On the other hand, the state institutions do not have the confidence of the population, in the confidence top id the Church (81%), followed by mass-media (59%) and by city-hall (50.2%)<sup>2</sup>.

A consequence of this passive attitude complex as opposed to the political system also to the formulation and implementation of the public politics represents the incapacity of the citizens to perceive themselves as active citizens. The ordinary citizens consider that they cannot influence important decisions of the local public administration, about 79% of the interviewed stated that they are able to influence to a small extent the decisions at a national level. The percentage is smaller, about 70%, when the citizens speak about local decision level. Particularly, the citizens aged 30-59 stated that their influence on national decisions is

<sup>1</sup> *Public opinion barometer (carried out during 3-14 May)*, Centre for Sociological Investigations and Marketing, May 2007, p. 46.

<sup>2</sup> *Public opinion barometer (carried out during October 29 – 5 November)*, Institute for public policies, November 2007, p. 37-38.

virtually non-existent.

Regarding the interest towards politics, it grows along with the education level. It is noticed that the people from rural environment take less interest in politics than those from the urban one. At the same time, the participation rate at the local elections in 2007 illustrates that the rural inhabitants are more active than the urban one. In the urban environment, the citizen alienation towards politics is quite higher.

## **Dynamics**

The stereotypes and attitudes that are typical for the Soviet period when the state was ubiquitous and handling all issues are still alive in the people's minds. The population expects that the most important decisions should come from the state, and it should offer jobs and solutions for any problems at the local level, to improve the economic and social situation in the country and intervene in the economy, etc. The state is the providence. Comparing to 2006, the situation did not evolve significantly; the citizens still consider themselves incapable of influencing the political decisions at the local or national levels. The participation at the local elections in 2007 was a low one, there haven't been many protests. There haven't been any strikes at all, most probably because of the trade union politicization.

## **Factors**

- Educational institutions;
- Social environment;
- Hyper-bureaucratic structures.

## **Anticipations**

The change of political culture and the evolution from a political culture of parish type to a civil culture is a lengthy process. In the end, the appearance of a civil culture will bring about politicians that are more responsible. The civil culture assumes the existence of numerous competent citizens and this thing will not happen overnight. The situation will not improve in 2008; close to the local elections there will be less authentic civil actions and more protest initiated by the political parties.

## **Questions**

- When will a civil culture appear in the Republic of Moldova?
- To what extent the absence of a peculiar democratic political culture stimulates the change in the decision making process?

## P 11. Moldovan democracy – an atypical one

### Subject

According to European standards, Moldova is not still a democracy. The published Monitoring report of the Council of Europe regarding the democracy status in Moldova states that Moldova has some more progresses to achieve to become an European democracy.

### Description

For more than twelve years, Moldova is a member of the Council of Europe (CE), which is the most efficient regional organization in the sphere of promoting the human rights and democratic standards on the European continent. Starting with 1997, the evolution of the Moldovan democracy is closely monitored and the results of the monitoring are periodically compiled into a report, which is presented to the Parliamentary Assembly of the Council of Europe (PACE), on the basis of this report a resolution is adopted as well as a recommendation to the Committee of Ministers. The last positions regarding the functioning of democratic institutions adopted by PACE were the Resolution 1465 (2005) and the Recommendation 1721 (2005).

After two years of evaluations, the last monitoring report (see Doc. 11374) was adopted unanimously by the members of the Monitoring Committee. The report consisted of a PACE resolution, a recommendation to the Committee of Ministers and an explanatory memorandum elaborated by Mrs. Josette Durieu (France, Socialist Group) and Mr. Egidijus Vareikis (Lithuania, Popular European Party Group). PACE adopted the resolution on the basis of the report at its session from the beginning of October.

In the last two years, Moldova adopted almost 63 conventions of the Council of Europe and an impressive number of laws. CE insists on the expertise and discussion with CE experts of the draft laws before the adoption. According to CE, there are many things to be done so that the huge number of laws becomes operational, moreover, even in these conditions, the set terms by the Moldovan authorities referring to the legislative calendar are extremely ambitious. The co-authors of the report claim that “there is still a need for improvement of the judicial legislation, the institution of the General prosecutor, political parties and local self-governing”.

### Target group

- The Government of the Republic of Moldova;
- The Parliament of the Republic of Moldova;
- the Parliamentary Assembly of the Council of Europe (PACE);
- PACE reporters for Moldova.

### Impact

The report of the Council of Europe deserves the media attention because it describes and suggests improvements for all current defective institutional structures of the Moldovan democracies. As compared to the conclusions in 2005, this evaluation provides a more detailed picture as to what has been already done and what still should be done. The conclusion of the CE reporters is that the monitoring procedure should continue and that is very bad news for Moldova.

In this regards, one thing must be clearly understood: as long as Moldova is monitored by the Council of Europe, its chances to join the EU are close to zero. That is why the recent adopted decisions by CE regarding Moldova are more important than the progress report regarding the implementation of the EU-RM Action Plan published in December 2006. In fact, one of the Copenhagen criteria to join the EU was the political one. CE complements and “assists” the EU by monitoring the compliance with European standards in the sphere of democratic institutions and human rights in Moldova. The incapacity to implement these standards actually indicates that our country does not correspond to the political criterion, which is mandatory to join the EU, and is not still prepared for a deeper political integration.

### Dynamics

In fact, the authors of the report of the Council of Europe will not put an end to the monitoring of

Moldova unless there are changes in the political structure. In the present situation when one party controls the Parliament, the Presidency, the Government and other state institutions, the notion of democracy used to describe the actual political system is quite inadequate. Obviously, that only after some political changes the reporters of the Council of Europe will come with positive reports.

## **Factors**

- The interference of the politics into the judicial act;
- The discrediting interpretation of the legal stipulations;
- The absence of clear will to reform the bureaucratic structures.

## **Anticipations**

The authors of the report anticipate that Moldova will face serious problems in persuading the EU representatives that all the objectives of the Action Plan have been accomplished in time. Considering the frequency of the monitoring reports, only after the parliamentary elections in 2009, Moldova can hope that the monitoring procedure ends. It seems that the European officials are not aware of the fact that at the last weekly meetings of the National Committee for European Integration the prime-minister Vasile Tarlev set up the deadline for 17 November for the complete implementation of the EU-RM Action Plan. However, after this date, the prime-minister did not insist on complete implementation of the EU-RM Action Plan.

## **Questions**

- How long will continue the procedure of monitoring of the Moldovan democracy by the Council of Europe?
- How can be explained the incapacity of the authorities to carry out the necessary reforms in order to get out of the monitoring?

## P 12. The politics against corruption or corruption against politics?

### Subject

Corruption spreads to all society spheres, including the political sphere. Though many politicians use in their speeches the corruption combating excuse in order to create the impression of “having clean hands”, they forget to fight the political corruption.

### Description

The political corruption is an issue not quite debated in the Republic of Moldova. The corruption has the tendency to spread up to the highest decisional political, legislative, judiciary, and administrative levels. The risk of growth of political corruption are quite high in the Republic of Moldova since there are no control mechanisms that are strong enough to check the activities of the governmental party. Corruption usually intensifies in generalized crisis periods when the authority of the laws and state institutions is weakened. Its growth deepens the inequalities, highlights the luxury, and stresses out the paralysis of the institutions, legalities, and moralities. The Moldovan government with all its administrative apparatus sometimes acts against the vital interests of the citizens just to see the political interests completed. Either governing or opposing,

The politicians are not quite excited when the discussions are started about the corrupt politicians and the way the political parties are financed. The financing of the parties is not well known since the current legislation does not regulate this sphere. The financing is the Achilles heel for any party. Simultaneously, the political financing “is influenced and at the same time influences the relations between the parties, politicians, members of parties and the poll. The political financing is closely connected to public debates on political corruption. Political financing and corruption are two different notions but now there is a clear combination of these”. Political corruption refers to the illegal financial operations (mostly from a candidate or a political party) that bring some profit for the candidate, a political party or an interest group.

### Target group

- Parliamentarians;
- Public functionaries;
- Parties' financers.

### Impact

The politicization of the administrative functions, promotion according to political and party criteria of certain functionaries in key positions is another form of corruption in politics. Different interest groups attempt to promote through parliamentarians and parties certain interests that are disguised as laws. The absence of a Law of Financing of Political Parties, which would regulate the financing of political formations, can contribute to the spread of corruption phenomenon in politics. The representatives of some economic groups can make pressure on a certain party in order to be included on the candidate list.

### Dynamics

Daily we witness the proof that the actual governing has exhausted all its attack resources against corruption without undertaking any actions for its eradication. Presently, corruption represents the main obstacle in the way of a reformation process, capable of guaranteeing the development of society and not its regress.

Corruption combating is doomed to fail unless it is started with the corruption eradication in the political environment. The public resources abuse throughout the elections in 2007 represented one of the main forms of political corruption. In the meantime, other types of political corruption were identified such as ballot buying or financing from an organized criminal group.

The institutional resources also include the use of human resources and public goods for electoral purposes, these facts being noticed at the local elections. The provided support by the state officials (judges, district governors, ministers, President of the country ) to the candidates of the Communist Party, Veaceslav



Jordan, the involvement of the state functionaries into campaign activities, the use of public institution premises for electoral purposes, the use of service vehicles free of charge or with a discount mode, campaign activities during working visits, using the reports regarding public institution activity for electoral purposes, these are just a few political corruption cases identified during the last local elections.

There are no records of cases of the governing politicians, accidentally or not, only the Opposition politicians have some records. A principled agency would be needed that would check the properties of the officials or at least a parliamentary committee of prevention and combating corruption subordinated to the government that would check the property and interest declarations, for now in Moldova they are not really public. The Moldovan politicians do not care about the public opinion. Some politicians or parties prefer to block the surveys even with the risk of losing the elections in 2009.

The case of the member of parliament AMN, Vasile Colța who using the parliamentary position tried to smuggle an impressive amount of cigarettes from Moldova to Romania is well known. Another case of the former mayor of Durlești, Gheorghe Barbăneagră, who found out that much of the Army property, was sold with very low prices to the relatives of the functionaries<sup>1</sup>. Several candidates to mayor functions or mayors belonging to opposition had cases here they were blamed for corruption. Parties' financing is another aspect of corruption. Transparency International, which is the most well known international organization for combating corruption, considers that if the voters knew precisely where the income of some political parties comes from, they could vote differently<sup>2</sup>. Essentially, the main engine of political corruption is need of funding, considering the multitude of political parties and the fact that they always spend more money than they have, their financial necessities being almost unlimited.

The Council of Europe analysed the Combating Corruption Strategy and granted around 4 million euro in the framework of MOLICO project. The corruption perception index has improved from 3,2 in 2006 to 2,8 in 2007. Though the index is smaller than the one on Romania (3,7) and Bulgaria (4,1), the entire corruption combating is still unsatisfactory. In 2007, there were registered 27 cases of corruption among mayors, only one prosecutor was arrested, also a judge and a fiscal inspector<sup>3</sup>.

## Factors

- The parties financial resources needs;
- The absence of a regulation regarding the lobby activity;
- The country economic situation.

## Anticipations

Combating political corruption is more difficult than in other cases because the punishment decisions in case of corruption must be taken by the same politicians. It is not peculiar to Moldovan politicians to punish themselves. The low paid judges cannot fight corruption in the absence of relevant laws, but often even if such laws exist, they yield in front of political pressures.

There is no political will and justice independence that would start the political corruption fight. The corruption phenomenon will not disappear ineradicably but the situation can improve if there will be structures that would check the property and the declarations of the functionaries. At the same time, the improvement of economic situation of the country contributes to the decreased corruption level.

## Questions

- Will the Law of Financing of Political Parties solve the problem of political corruption?
- Are the corrupt politicians able to fight corruption in other spheres?

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<sup>1</sup> *The Army Lots "sold" for free to the relatives of some functionaries*, Ziarul de Gardă, 22.11.2007, p. 3.

<sup>2</sup> *Transparency International about corruption*, [http://www.infotag.md/news\\_ro\\_2/13228/](http://www.infotag.md/news_ro_2/13228/)

<sup>3</sup> Vladimir Popov, *Corruption increased again* in Puls, 07.12.2007, p. 2.

## P 13. Power abuse – a national shortcoming

### Subject

They say that power makes corrupt. It is also valid for Moldova. Quite often, those who are in high positions at some institutions exceed their commissions and act against the law or the citizens interests; moreover, they abuse the function that they have. Frequently, it happens due to incompetence.

### Description

The media indicates at the numerous cases when the power commits abuses. Tenders are another unfamiliar practice for Moldova. Even though there are such stipulations, the government itself violates the law. The newspaper “Ziarul de Gardă” indicated the irregularities discovered by the Court of Accounts after the financial audit in the Government Office<sup>1</sup>. Quite often, the Government purchased goods and services from public money without organizing a tender. The registry logbook of tender participation invitations, the correspondence, and the received offers have many times mysteriously disappeared. The Governmental functionaries often increase their salaries without a reason, spend significant amount of money on unexpected receptions, and lease the public premises to some favourites. However, if in other cases the General Prosecution and the Centre of Combating Economic Crime and Corruption notified each other, then in the above-mentioned case, they did not have any reaction. Nevertheless, the Court of Accounts did not disclose the whole truth, as it did not make public several irregularities or the Government preferred companies

According to some opposition leaders, the Parliament has become a theatrical tool and an incapable attachment of the Communist Party. The communist members of Parliament use for personal purposes the legislation mechanisms, receive per diems from the Parliament even if they go abroad on trips on party related issues, and the hotel of the Parliament is used by the Communist majority according to their wishes, which is a clear violation of the legislation

### Target group

- governing party;
- central public institutions (Government, Parliament);
- ordinary citizens;
- mass-media.

### Impact

Actually, the power abuse does not mean just financial resource or administrative abuse that are at the disposal of the members of Parliament or public functionaries; it also exists in the military institutions when the commanders of the military units sent the soldiers to work more in their own households or they falsify the documents referring to the army procurements<sup>2</sup>. The violations and frauds are especially visible close to elections. Not a single major case has come in front of the court for power abuse.

Quite often, the politicians come to appropriate a part of the public property by governmental decisions, dispositions and laws, third party people, or dummy companies. First, we have to look at the public procurements, privatization, land exchange between institutions, at change from public property to the private one, because frequently they have been underestimated. The state sells the public property to private companies with a lower price than the real one, and they get some profit from the voluntary conveyance. A vivid example in this regards has been notified in Orhei county by the councillor Vasile Roman, who presented to the public opinion the cases of abusive misappropriation of land lots, embezzlements, etc. The stipulations of the Labour Code are not fulfilled when it comes to simple employees as it happened after the privatization of the Cosmos Hotel.<sup>3</sup>

### Dynamics

<sup>1</sup> *The Government violates the decisions of the Government*, Ziarul de Gardă, 13 septembrie 2007.

<sup>2</sup> *Two officers are accused of law violation*, Democrația, 17 mai 2007.

<sup>3</sup> Diana Railean, „*The Fall of the Cosmos*”, Ziarul de Gardă, 01.11.2007, p.4.

Frequently the law enforcement units act in the spirit of the old Soviet traditions. People are detained without accusations and without evidence. Some institutions such as the Centre for Combating Economic Crime and Corruption and the General Prosecution notify each other only when representatives of the Opposition are involved and keep silent when the power abuses have to be investigated. Thus, the general prosecutor has rarely responded to the requests of the members of parliament from the opposition. Abuses have been signalled in the county councils of Ocnita and Orhei. Recently there have been disclosed other abuses at the construction of the railway Cahul-Giurgiulești. The representatives of the authority do not have any respect for the private property getting into people's yards to perform the measurements without their consent. Recently, the government decided to expropriate the landowners who do not wish to sell the lots of their own free will. In this regards, the fact that the cases of the former ministers who committed power abuse are not under investigation, shows the attitude of the authorities towards the power abuse. The unauthorized damage of the election boards, participation at the election events of the public functionaries are yet other examples of abuses<sup>1</sup>.

## **Factors**

- lack of respect for the individuals and property;
- poor management of the public money;
- lack of a sense of responsibility of some politicians.

## **Anticipations**

The power abuse is a peculiarity of the state representatives, this mentality can be ridded with difficulty. The politicalization of the public institutions has led to the loss of responsibility of many of the functionaries who under the protection of the governing power frequently commit abuses. The future sanctioning of those who commit this kind of abuses is quite improbable as the institutional culture is still a Soviet one.

## **Questions**

- To what extent holding a public function changes the behaviour of numerous citizens?
- Why those who commit power abuses are not sanctioned?

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<sup>1</sup> *The election candidates signal numerous abuses committed by the power*, Democrația, 17.05.2007, p. 3.

## P 14. Local Public Administration – under constant reform

### Subject

Reform of local and central public administration lasts already more than one decade but the state still does not have a modern administration. The realization of the reform of local public administration occurs with alarm after the elections from June 2007 when the leading party (CPRM – Communist party of RM) has lost the majority seats in a considerable part of the rayon councils

### Description

The Ministry of Local Public Administration (MLPA) created to promote the administrative reforms at the local level is being severely criticised by some non-governmental organisations that re-unite the majority of the mayors and locally elected persons. The National League of Mayor's Associations consider the situation in the domain of local autonomy as being calamitous. They declared that the MLPA became an instrument for political control of the governance, the ministry has never consulted them and that a communication deficiency exists between the ministry and the local mayors. Iurie Țap, mayor of Floresti, declared: "During one year since the Law on Local Public Administration and the Law on Decentralisation have been adopted we haven't been consulted even once". The impression that occurs is that there is no will to continue the administrative reforms. Many locally elected persons are dissatisfied with the fact that they have been given too many prerogatives without thorough financial coverage<sup>1</sup>. Mayors have expressed many times their dissatisfaction with the protraction of the adoption of the third important law for decentralisation of the local public administration – Law on Local Public Finances.

Mayor of Drochia town emphasized that the Law on Local Public Administration does not stipulate that local authorities have to take care of the ordinary schools and lyceums from the localities. He declared, "Since March we pay salaries to teachers from local budgets which is not stipulated by law".

This happens in the conditions where biggest part of the local budget's expenses represents payments of the teacher's salaries. Many mayors are revolted by the fact that the increases of the teacher's salaries come from the local budgets, but the leading party present these increases as their own merits. Another problem emphasized by some locally elected persons is the presence of the communist mayors in the Moldovan Delegation to the Local Power's Congress.

The members of the LNAP claim that Ocnița, Bălți, Dubăsari, and Basarabeasca are the localities and the counties that according to the Budget Law 2008 have been allocated more amounts of money than other regions because they are controlled by the communists. The comparison between Bălți and Chișinău shows that Bălți will receive 130 million lei whereas Chișinău controlled by the opposition will get 29 % less<sup>1</sup>.

The reform strategy of the local public administration has a long history; however, there are several legislative aspects. The delimitation of the responsibilities and competences is not clear, which leaves room for discretionary interpretations. Referring to the elections in 2007, the problem of the local public elections has become a political one, as the majority (22) of the county councils are controlled by the non-communist majority alliances. The attitude of the central communist authorities is an inadequate one, and in the competition between the administrative centre and the counties, those counties that are non loyal to the ruling party will have to suffer.

### Target group

- Functionaries of the public administration;
- Central and local administration;
- Citizens;
- Foreign investors.

### Impact

The situation in the field of local autonomy has been disastrous ever since the establishment of the central organ of pressure that is the Ministry of the Local Public Administration. The elections in June 2007

<sup>1</sup> Serafim Urechean, *In 2008, the local budgets will be hostages of the central power*, Alianța, 02.11.2007, p.1 și p. 3.

created an “unhealthy” political situation that can be regarded as rivalry between the local and central authorities that will lose especially the administrative units controlled by the non-communist political forces. The statements of some high rank officials (The president of the Republic of Moldova Vladimir Voronin, the prime-minister Vasile Tarlev) actually denotes the lack of respect for the local autonomy and the existence of the centralized mentality. The recent legislative modifications regarding the prohibition for those holding double citizenship for some public functions affects the reform progress in administration because it involves the mayors as well. Generally, by these modifications the Communist Party tries to create a loyal bureaucratic elite but it excludes from the participation in the political life about 400 000 people with dual citizenship.

On one hand, the lack of a clear desire of cooperation weakens the state institutions and on the other hand, the real victims of the political disputes between the local and the central levels of the administration are the citizens. Due to the fact that the central authorities do not want to equally cooperate with the local authorities the citizens will have to suffer.

## Dynamics

The reform strategy of the local public administration has a long history; however, there are several legislative aspects. The delimitation of the responsibilities and competences is not clear, which leaves room for discretionary interpretations. Referring to the elections in 2007, the problem of the local public elections has become a political one, as the majority (22) of the county councils are controlled by the non-communist majority alliances. The attitude of the central communist authorities is an inadequate one, and in the competition between the administrative centre and the counties, those counties that are non-loyal to the ruling party will have to suffer.

The media already presumes that the Government is trying to control the fiscal authorities of the counties<sup>1</sup>. It is a known fact that the State Enterprise “Registru” that decided not to register the vehicles from Cahul county because the functionaries of this enterprise were on the Communist Party candidate list and they lost the elections<sup>2</sup>. The entire reform strategy of the local public administration is incomplete because the Local Public Finance Law has not been adopted which gives the Government the possibility to assign the financial resources based on political criteria.

## Factors

- The rivalry between the centre and the counties;
- Political loyalty;
- The absence of a real financial autonomy;
- The absence of an efficient information system at the level of local public administration.

## Anticipations

The adoption of the Local Public Finance Law will contribute to the creation of local financial autonomy and will approach the reform settlement in local public administration. The new structure named the Ministry of Local Public Administration will accumulate experience and will have to become more efficient and more open to the dialogue. The current situation shows that there is no authentic local autonomy and that it depends too much on the political factor and less on clear rules that would delimitate its competences.

## Questions

- To what extent is the community development hampered by the deficient reform of the local public administration?
- Why the central authorities do not respect the local autonomy and tend to politicize the relations between the local and central authorities?

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<sup>1</sup> Pavel Păduraru, *În unele raioane, unde au pierdut alegerile comuniștii vor să ia fiscal sub control*, *Timpu*, 22 noiembrie 2007.

<sup>2</sup> Vadim Mitin, *Za sbto GP „Registru” mstii zhytelem Cabula?*, *Moldavskie Vedomosti*, 04.07.2007, p. 1.

## P 15. Lack of trust in the political class

### Subject

The majority of the party leaders of Moldova are engaged in politics for more than a decade. The sense that they follow their personal interests has contributed to the creation of the stereotype that politics is a dishonourable occupation and the politicians are corrupt. In this framework, renewal of the political class is the provision for the restitution of trust in the political class.

### Description

The polls show that the lack of trust towards the politicians is greater than the trust displayed by the citizens to numerous political personalities.

The last IMAS survey shows that the lack of trust in the politicians is much higher than the trust varying from 40% to 80%. The survey illustrates that the young politician Dorin Chirtoacă rouses more lack of trust from the population than the experienced politicians as Vladimir Voronin, Vasile Tarlev, Serafim Urechean, and Dumitru Braghiș. Blaming the entire Moldovan political class of corruption would be a mistake.

Unfortunately, the Moldovan parties have as leaders the people who are not ready to give way to the young. Nevertheless, the victory of a 30-year old in the elections in Chișinău has convinced other parties that there is a need of the young in the autochthon politics. We can speak about the model of Chirtoacă as the other parties have realized that the success of the Liberal Party was in promoting a new figure.

### Target group

- Political parties;
- Parliamentarians;
- Citizens.

### Impact

The modern democracies function only with the help of parties. The parties are the intermediate between the citizens and the power. One of the basic functions of the political parties is the selection of the political elite. The desire to renew the party leaders should come from the inside of the Moldovan parties. Unfortunately, many parties have created a party oligarchy that is reluctant to give the power to the young. The rejuvenation of the oligarchy of every party will lead to the renewal of the whole political class but it can be possible only with the existence of internal democracy. This is the missing thing in Moldovan parties. The internal democracy is neglected. Due to the fact that in the parties there is no actual internal democracy there appear parties detached from the rigid parties.

The politicians are those who personalize the democracy that is why the lack of trust in the political class is transferred also to the legitimacy of the democratic system.

### Dynamics

The Moldovan political elite is not capable of long-term thinking. The Moldovan politicians think about the next elections and less about the unpopular reforms that could lead to decrease of number of votes. The personal and group interests prevail over the preferences of the citizens. Even if the young politicians will be always accused by the old ones of lack of experience, they are the one who will bring a new breath and can consolidate the trust of the citizens in the politicians. Unfortunately, the Moldovan parties

Unfortunately, the Moldovan parties have as leaders the people who are not ready to give way to the young. Nevertheless, the victory of a 30-year old in the elections in Chișinău has convinced other parties that the young ones are worth to be promoted. We can speak about the model of Chirtoacă as the other parties have realized that the success of the Liberal Party was in promoting a young politician. Another way of promoting new politicians and responsibilities towards the citizens could be the unanimous vote. It could restore some deficiencies of the autochthon politics. However, the young political class is formed by the old one, thus the hope for the best is quite feeble.

## **Factors**

- Rigid party oligarchy;
- The peculiarity of autochthon political culture;
- The absence of an authentic internal democracy in the Moldovan parties.

## **Anticipations**

The renewal of political class is a necessity. The politicians begin to comprehend it and start to engage into the national councils young people. Resignation is a rarely met in Moldovan politics, there have not been cases when a party leader would decide to quit voluntarily from the top of the political party that he created. It is also specific for the holders of high positions. In 2008, the lists for the parliamentary elections of 2009 will be drafted; in fact, it will be a real test for the Moldovan political parties. The number of the young on this list will show the desire of the political class to reform and to promote the youth.

## **Questions**

- Which political party will assume the role of the leader in the renewal of the political class by intensely promoting the youth?
- To what extent will the trust in the political class increase if the young politicians appear on the scene?

## **P 16. Privatization of governmental newspapers: change of shape and not content (II)**

### **Subject**

In 2007, the Government continued to support financially, directly or indirectly, the ex-officious governmental “Moldova Suverană” (“Sovereign Moldova”) and “Nezavisimaia Moldova” (“Independent Moldova”) newspapers, and the newspapers continued to reflect mostly the activity of the state authorities in the manner that is favourable for the power. Thus, notwithstanding the fact that in May-June 2005, the government has given up the status of founder of the newspapers “Moldova Suverană” and “Nezavisimaia Moldova” newspapers, according to the prime-minister Vasile Tarlev, the decision was “the result of political consensus”.

### **Description**

According to the mass-media monitoring reports in the campaign of the general local elections in 2007, carried out by the Independent Press Association (IPA) and the Independent Journalism Centre (IJC) in the framework of the Civic Coalition for Fair and Correct Elections “Coalition 2007”, throughout April-June 2007 “Moldova Suverană” and “Nezavisimaia Moldova” have mostly favoured, directly or indirectly, the Communist Party by large mediatizing of the central and local public administration. Additionally the newspapers attacked, with or without a reason, political and public personalities that were inconvenient for the governing party, especially the leaders of opposition parties. For example, in May-June 2007, “Moldova Suverană” had published several offensive and discrediting articles about Dorin Chirtoacă, the mayor of Chişinău.

On December 27 2006, the Government allocated from its reserve fund 376,8 thousand lei for “Moldova Suverană” and 81,3 thousand lei for “Nezavisimaia Moldova” with the title of “single financial assistance”. The public money was intended to clear the debts of these newspapers to the publishing house “Universul”. Thus the executive has dispelled the myth of “denationalized national newspapers”

In June 2007, the Government transferred to the Bureau of Interethnic Relations 84 thousand lei for the public associations of Moldovan diaspora. According to the Government, the subscription to these newspapers is an important mode of satisfying the national-cultural necessities of the representatives of Moldovan diaspora and obtaining genuine information about the country.

By adopting these decisions, the government profaned the idea of independent press, which is a mandatory norm for a democratic state. On one hand, being pressed by the international organizations, the government mimes some reforms including the mass-media. On the other hand, the power does not want to give away the control over the mass media by inventing all kinds of means to maintain the control over a part of press.

### **Target group**

- Readers – citizens;
- Independent newspapers;
- Political class;
- Central administration.

### **Impact**

The data of the Public Opinion Barometer from July 2007 states that mass media continues to have one of the highest credibility from the population (66%), being led only by the church (78%). The risk of transmitting biased information in order to manipulate the public opinion is rather high. Both newspapers, especially “Moldova Suverana”, serve as a tribune for discrediting the political opponents, particularly in electoral campaigns changing into tabloid newspapers. An additional proof in this regards is the frequent court summoning of these newspapers from the political and public personalities for dignity and honour defence.

On the other hand, the direct or indirect support of these newspapers by the old owner creates a



misbalance on the media market in Moldova. It would be normal that the public available money for the press support should be allocated following a tender open to all publications thus ensuring equal conditions of professional activity for all the press.

## **Dynamics**

In spite of the critics from the civil society and international organizations, “Moldova Suverană” and “Nezavisimaia Moldova” continue to reflect mostly the activity of the Government, the President and the Parliament in the favourable manner for the power. In 2007, as compared to the last year, these newspapers more often presented positively the governing party, especially during the elections, at the same time discrediting the political and public personalities.

This year the Government adopted two decisions, which indirectly continued to subsidize the private newspapers “Moldova Suverană” and “Nezavisimaia Moldova”, discriminating at the same time other public newspapers. This practice contravenes the provisions of the assumed European Union – Moldova Action Plan which stipulates that “financial assistance from the state for the mass media should be provided according to the strict criteria and equally applied objectives for all mass media”. Thus, the governing party brings yet another evidence that it will not give up its propaganda tools by finding legal solutions, alleged European means of democratic mass media.

## **Factors**

- Reluctance of the administration to lose control over important press;
- Pressure from European institutions for the democratization of mass media;
- Monitoring by the civil society of freedom of expression.

## **Anticipations**

The directors of the former governmental publications had publicly declared that they would not change their editorial policy, no matter what “pressure” is applied by the power holders. We cannot exclude the fact that the attacks on the new management of the city hall of Chişinău as well as the political leaders will intensify in 2008, especially close to the parliamentary elections. On the other hand, the Government will most probably continue to subsidize indirectly “Moldova Suverană” and “Nezavisimaia Moldova”. Although it might become more difficult, as the civil society and the international organizations constantly monitor the transparency of the decisional process and the freedom of expression in Moldova.

## **Questions**

- Who are the new owners of the denationalized newspapers?
- Why does the Government continue to subsidize directly or indirectly these newspapers?
- What was and is it now the circulation of these newspapers?

## P 17. The public audiovisual at the power's beck and call

### Subject

The election of a new membership of the Monitoring Council (MO) of the IPNA Company "Teleradio-Moldova" (TRM) and the new management of the public audiovisual did not contribute essentially to the transformation of TRM into a company genuinely dedicated to the public interest. The company conforms itself rather slow to the new audiovisual legislation and the new management of TRM imitates reforms preferring the stagnation. On the other hand, the TRM news programmes do not fully correspond to the characteristics of public audiovisual, directly or indirectly favouring the actual governing.

### Description

The adoption of the new Audiovisual Code in 2006 was welcomed by the international organizations and partially by the civil society; however, the application of this document in the framework of the transformation of TRM into a truly public society will be awaited. Some members of MO chosen by the Parliament on December 28, 2006, were criticized by the press for having no relevance to the audiovisual and for being too devoted to the governing party. The concerns of the independent experts became true, as actually MO does not carry out its role of the authority that promotes the public interest since it is under the thumb of the political factor.

The government still draws up the TRM budget, the fact which according to the opinion of the members of MO Igor Munteanu and Veaceslav Ioniță, invalidates the authority of MO and brings to zero the importance of the Audiovisual Code. They both consider that MO should take the responsibility for the implementation of the Audiovisual Code as referring to the functional autonomy of the Company by imposing standards of conduct and management for the employees and the leadership of this company and creating a favourable environment for the internal reform of the Company.

On the other hand, the new management of TRM, chosen on the eve of the local elections, did not manage to break off the notorious tradition of TRM to favour the current government in the news programmes. According to the mass media monitoring reports in the general local elections campaign in 2007, realized by IPA and IJC in the framework of the "Coalition 2007", the public television and radio have mostly presented in a favourable light the actual governing and the candidates of the Communist Party for the functions of mayors and local councillors. This fact was also confirmed by the Audiovisual Coordination Council (ACC) that had twice warned the public television channel "Moldova 1" for the lack of pluralism and impartiality in its news programmes, after that the members had seen several news bulletins during the election campaign. The majority of the members have criticized the news from "Moldova 1" for its praising character and lack of impartiality and multitude of opinion, etc.

According to the report "The Monitoring of the implementation of the Audiovisual code" realized by the Electronic Press Association (EPA), MO of TRM is not preoccupied by monitoring the way in which the editorial politics correspond to the public interest and the administration of the company rejects the practice of realization of the news presentation that neglect the legal and deontological norms of its writing. The content and the tonality of an imposing number of news and subjects mostly point out two serious problems of TRM: the quality of the staff and the management of the editing of "Actualități".

Paradoxally, but in spite of the civil society and ACC critics, the prime-minister Vasile Tarlev declared that the public audiovisual "does not fully reflect the state policy"

### Target group

- Ordinary citizens;
- Audiovisual Coordination Council;
- Parliamentary commission for culture, science, education, youth, sport and media;
- Parliamentary fractions;
- Civil society.

### Impact

According to the Public Opinion Barometer, 33.2% of the respondents consider that TRM reflects the

events “in a correct and partially unbiased manner”, and 9,5% - that TV “Moldova 1” and “Radio Moldova” treats the events “in a correct and totally unbiased manner”. On the other hand, only 11,5% from the questioned people sustain that TRM reflects the events “exclusively through the prism of the interests of the governing party”, and 19,7% sustain that these two media institutions broadcast the events “somehow biased towards the governing party”. Thus, more than 40% of the citizens of the Republic of Moldova are convinced that the biased and impartial news broadcast by TRM is the ultimate truth. Actually, it may seem that these are the voters of the Communist Party, thus if we take into consideration the results of the governing party at the general local elections in 2007.

## **Dynamics**

As compared to 2006, the public audiovisual has registered minor progress, almost invisible, with the reference to the balanced reflection of the social-political events from the Republic of Moldova. In the first weeks of the local election campaign, TRM had greatly favoured the central and local public administration, implicitly CPRM and only after severe criticism from the civil society and the international organizations, TRM reduced the volume of the materials that favoured the power. On the other hand, as compared to the previous year the news bulletins of TRM now include more often opinions of democratically oriented parties, especially those parliamentary. However, TRM is totally missing analytical programmes or talk-shows in Romanian language, and the aggressive propaganda from “Rezonans” show brings to zero the efforts of content balancing of the public channels.

## **Factors**

- The reluctance of the government to lose the control over the audiovisual;
- The pressure and the recommendations of the European Commission experts;
- The incapacity or reluctance of the TRM management to impartially reflect the political life;

## **Anticipations**

The new management of TRM has been accused in several lines of “deficit of new ideas” and of lack of cooperation with the civil society and international organizations in the reform process of the public audiovisual. The sometimes inadequate reaction of the president of TRM towards the addressed criticisms by the local and international experts betrays the fact that the management of the company cannot or would not change the current situation in TRM. We cannot exclude the fact that TRM will continue to present in positive light the local and central public administration, even if the actual governing risks to be penalized by the civil society for not respecting the obligations undertaken in the EURMAP.

## **Questions**

- What effects can have the free press on the society?
- What is the role of mass media independence in building up a democratic state?
- Why does the government avoid considering the opinion and recommendations of the civil society?

## P 18. Limited access to information (II)

### Subject

After seven years from the adoption of the Law regarding the information access, in the Republic of Moldova there is still no control over the execution of this legislative act. The access to information of public interest is not unbound in spite of the media requests and the repeated requests of the internal organizations from the transparency and human right domain.

### Description

The situation as regarding the access of the population to the public interest information continues to be problematic in Moldova, although the management of the country makes optimistic declarations in this regards. As a rule, the possessors of information respond formally to the requests coming from ordinary citizens or journalists.

There is continuously noticed a tendency to use the law regarding the state secret or commercial secret as an agreement to refuse the access to public information. Even on the official site of the Government ([www.gov.md](http://www.gov.md)) some issues from the agenda of the Executive are not made public being classified as “secret”. The secrecy of some state institutions, sometimes exaggerated contradicts the declarations of the President of the country, the prime-minister or the speaker of the Parliament regarding the transparency of the state authorities.

For example, this summer, the Press Service of the Presidency of the Republic of Moldova has hampered the access of the journalists to a reunion with the state leader, Vladimir Voronin with the functionaries of Bălți municipality. Moreover, the officials prevented the journalists from recording during the meeting while Voronin was talking in a block of the town with a group of retired people, by motivating it that “the official part had finished”.

This year the judges, the people who should know and apply the provisions of the Law regarding the Information Access better than anyone, have impeded the journalists’ access to information by prohibiting them without a reason to assist at court sessions. In May 2007, a judge from the Ialoveni Court asked the chief-editor of the newspaper “Ora locală” to leave the courtroom because “he wanted so”. The judge was supposed to examine the claim of an election opponent regarding the committed falsifications by the Election Council from Ialoveni.

These are just two examples of premeditated limitation of the journalists’ access to information of public interest. However, in the last years mass media claimed its rights in the court. Consequently in the last four years, the Moldovan courts according to the Supreme Court of Justice have examined 90 cases of violation of the information right.

According to the independent experts in order to improve the situation regarding the information access it takes time to change the mentality of the functionaries (in possession of information) as well as of the citizens (claiming information). At the same time, it is necessary for the Parliament to adopt the Law regarding the transparency in the decisional process, the document that would reduce the secrecy in the state public institutions.

### Target group

- journalists;
- public functionaries;
- citizens.

### Impact

The difficult access to the public interest information reduces the capacity of the civil society to control and make responsible the political class and the administrative apparatus, although it is a necessary condition for the democracy. On the other hand, the functionaries and the officials feel protected by the public surveillance. At the strictly professional level, the journalists are impeded to perform their job and the transparent character of the public communication service of the institutions is diminished.

## **Dynamics**

Today the majority of the functionaries have a pragmatic approach towards the guarantee of the right to obtain information of public character. In Chişinău as well as in the country, the public functionaries do not raise the problem of the necessity of application and the existence of the Law regarding the Information access. Certainly, there are exceptions but generally, there is noticed improvement of the situation.

The public institutions continue to modernize the service of public relations and their own sites which present the information in a selective and favourable to the institution way. The situation is worse in the institutions that do not have some one responsible for the public relations, and the only entitled person to make press statements is the chief of the institution who is usually hard to reach. Nevertheless, there is an abyss between the power and the mass media and respectively the citizens of the Republic of Moldova because the power considers that a many of the things from their activity should not be made public.

## **Factors**

- the manifested reserve of the public functionaries to provide information;
- the pressure from the civil society and mass media;
- lack of a capable structure that would handle the public relations in the public institutions.

## **Anticipations**

The situation can improve with time should the pressure of the press, the control of the civil society and the requests of the international community be maintained and extended. Another decisional factor that can change the situation for the better is the adoption of the draft law regarding the transparency of the decisional process.

## **Questions**

- When will the political class and the administration adopt responsibility behaviour towards the society?
- When will be sanctioned the first person responsible for the blocking the access to public information?

## P 19. Press marketing and non-professionalism (II)

### Subject

The mass media of Moldova especially the one owed by the state or parties has been reproached of glossing up the image of the founder or sponsor and not objectively informing the society about the events from the society. The quality of some journalist materials especially those done by the journalists trained in the Soviet times leaves much to be desired quite often being totally unprofessional.

### Description

The general local elections in 2007 have shown that many of the mass informing media of the Republic of Moldova are inclined to cover the public events from a single perspective. According to the monitoring reports of the mass media during the elections done by IPA and IJC in the framework of the “Coalition 2007”, the former governmental publications as well as the general local ones and the audiovisual public institutions have covered the events with an election orientation of the central and local public administration, directly or indirectly favouring the current governing. Moreover, some publications have severely attacked the opposition candidates using inappropriate qualifiers and bringing ungrounded accusations sometimes invented ones.

On the other hand, some private publications have also presented in a favourable light an election candidate (“Flux” the Christian Democratic Popular Party, “Săptămâna” – the Alliance “Moldova Noastră”, “Moldavskie Vedomosti” – the Republican Popular Party). Even the independent publications – “Jurnal de Chişinău” and “Timpul de dimineaţă”- although having a relatively correct behaviour throughout the election campaign and objectively informing the readers about the election process, in the last issues before the election day have directly or indirectly favoured the candidate of the Democratic Party for the function of the mayor of Chişinău . In the edition of 1 June 2007, the newspaper “Timpul de dimineaţă”- has stressed in several articles the word “HOTĂRÂT” (decided) used in the election publicity spots by Vladimir Filat, the candidate of the Democratic Party.

The internal censure or the excessive self-censure of some journalists especially those from the public or ex-governmental mass media leads to docility, servility and the deformation of the reality and implicit misinforming of the public opinion. According to the report “Monitoring of the Implementation of the Audiovisual Code” done by APEL, the reporters from the “Actualităţi” (news) of “Radio Moldova” and especially the regional correspondents practice the journalist means that are not recognized by the journalism theory. Instead of news and reporting, the reporters of “Radio Moldova” send from the country accounts of the authorities of all levels. The radio journalists in these cases, willingly give up their direct and characteristic duties for the journalists and transform into “microphone openers” in front of those chosen to report.

### Target group

- Mass-media owners;
- Population;
- Political class and civil society.

### Impact

According to the Public Opinion Barometer, performed by the Public Politics Institute, 50 % of the questioned Moldovans consider that the press of the Republic of Moldova is not free to present the news and comments without being censored by the authorities. Only 22.3% of the interviewed believe that the press is free and its performance faces no interference from the authorities. On the other hand, the same survey shows that 49% of the interviewed people consider that there is no freedom in the republic to criticize the authorities whereas 27.4% believe the contrary.

Even if more than a half of the population of the republic of Moldova is aware of the fact that the presented information by the mass media is “partially objective”, still the mass media is an efficient means of manipulation and misinforming the citizens, especially those from the villages where the access to the mass media is limited. Nevertheless the public understands that the mass media is biased and loses the trust in the mass media.

## **Dynamics**

The problem cannot be transformed into a society level crisis but it cannot be solved either in the near future. Although as compared to the previous year, there are observed some positive changes in the editorial policy of the IPNA company “Teleradio-Moldova”, however, the public television and the radio continue to be politically influenced. The denationalization of the newspapers “Moldova Suverană” and “Nezavisimaia Moldova” has not given any significant results, the publications have still remain docile to the governing party.

## **Factors**

- Public demand of certain subjects;
- the power’s desire to displace the accent from the stringent problems to less important ones or to praise their activity;
- pressure of political factors;
- lack of self-finance and the financial dependence of the mass media;
- weakness of the civil society.

## **Anticipations**

The editorial content of the mass media if the Republic of Moldova will not change radically as long as they have the same owners. In order to minimize the commercialization degree of the mass media, especially during the election campaigns, it is necessary to reduce the political pressures on the mass media and to increase the financial power of the press.

## **Questions**

- Are the reporters able to change the editorial policy?
- Are the newspapers able to survive without the support of the political parties?

## P 20. The intimidation of journalists by the police

### Subject

Throughout this year, the police intimidated and aggressed the journalists while they were doing their job. Usually the “targets” of the people of the law were the reporters and the camera operators of the television channels from the capital. Thus, the police does not respect the right of the journalists to inform about the happenings in the public space,

### Description

This year the police have repeatedly harassed journalists from the Republic of Moldova involved in reflecting the public events. The inadequate retain of the people of the law during an election year has been regarded by the journalists as well as by some political parties as an attempt to suppress the mass media that usually criticizes the governing power. The actions of the police are obviously illegal and inadmissible in a constitutional state.

On 27 March 2007, a reporter and a cameraman from the television channel “PRO-TV Chişinău” were detained by the police while they were making a report on a protest manifest. The journalist were detained with the demonstrators and taken to the police station of the Central district. On the same day, the police detained the team from “DTV” channel and demagnetized the video tape where the cameraman recorded the abuses of the people of power.

The editorial board of the “PRO-TV Chişinău” channel as well as some non-governmental organizations have qualified the actions of the police as an act of intimidation of the television channel that was trying to freely and correctly undertake its job. The statements given by the Minister of Interior seem ridiculous for a constitutional state – “the journalists were detained by mistake because of the crowd that was created”.

This is not the only case of journalist intimidation by the police in 2007. In June 2007, the reporters from “Euro TV Chişinău” were aggressed by the police while they tried to signal a case of electoral legislation violation. On 11 September, the journalists, especially the teams from the television channels, were hindered from making reports about a protest, although they were undertaking their duties in a public domain. The police asked the cameramen to stop recording by covering their lens. On 19 October, two police officers armed with “Kalashnikov” machine guns harassed the reporter and the cameraman from PRO TV Chişinău who were taping how the policemen and the doctors were forcefully evacuating a man from a house in Chişinău.

According to the media non-governmental organizations, the uncivilized attitude of the police towards the journalists is encouraged by the lack of reaction for the authorities in other similar cases of aggression of journalists and impeding the information access. The civil society has offered the authorities to amend the Criminal Code with an article that would allow sanctioning the people who intentionally obstruct the activity of the mass media and intimidate the citizens for the criticisms. NGOs sustain their request by the “regular reperting of the intimidation acst towards the press and the journalists”.

### Target group

- Journalists;
- Law-enforcement units;
- Media NGOs.

### Impact

The public is deprived of the right to be fairly informed about the events from the society because the journalists are impeded by the police to undertake their duties. Instead of presenting objective reports of the public interest events, the journalists have to highlight the impudence of the people of the law. The continued aggressive behaviour of the police towards the journalists is caused by the lack of reaction of the management of the Ministry of Interior that does nothing else but justify itself in front of the public opinion and does nit take any actions to avoid the occurrence of such cases in future. On the other hand, the Ministry of Interior appears in a negative light in the news bulletins, the press spreading the idea that the police are fighting with



the journalists and not the criminals.

## **Dynamics**

This autumn, as a response to the protest declarations of the journalists and the media NGOs towards the aggressive and non-civilized behaviour of the police, the general police commissioner of Chisinau, Eugen Axentiev, has ordered to brief the intervention teams and the police officers from the “Scut” battalion regarding the collaboration with the press. Although it was just a press statement, it seems that the ministry of Interior has realized that the inadequate reaction of the police officers towards the journalists is not left without attention from the society and harms the already stained image of the institution.

As long as the police officers will get away with “reprimands” for the intimidation of the journalists while they are undertaking their duties, the situation will not improve. The Ministry of Interior should get from statements to actions and the Parliament should adopt amendments to the Criminal Code that would allow the severe sanctioning of the police officers who would intentionally impede the activity of the mass media.

The refusals of the law-enforcement units to open criminal cases to the police officers who intimidated or aggressed the journalists could determine the mass media to claim their rights at the European Court of Human Right (ECHR). It is excluded the fact that ECHR can decide in the favour of the journalists in the cases against the Government of the republic of Moldova and the state would have to pay from the public money for the damage of the journalists.

## **Factors**

- Desire of the authorities to limit the journalist access to public events where the current government is presented in a negative way;
- Lack of communication between the police and the mass media in crisis situations;
- Incompetence and lack of professionalism of the police officers.

## **Anticipations**

Following severe reactions from the civil society, international organizations and the public opinion in the case of intimidation of the journalists by the police, we can expect that in future the people of the law would treat the journalists with more respect and indulgence. It seems that the ministry of Interior has realized that the inadequate reaction of the police officers towards the journalists harms image of the institution.

## **Questions**

- Why are the police officers determined to intimidate the journalists?
- When will the authorities take actions to combat this phenomenon?
- What are the reasons of abuses of journalists?
- Who suffers directly and indirectly from these abuses?

## P 21. The Audiovisual Coordination Council between reforms and scandals

### Subject

The new membership of the Audiovisual Coordination Council (ACC) scandalized the national and international public opinion by controversial decisions. Instead of being preoccupied by the reorganization and bringing into conformity with the new legislation of the public services created by the local authorities, AAC stood still. More than that, the image of the institution had to suffer after some ACC members were accused of extortion and bribe taking, and the former president of ACC Corneliu Mihalache was dismissed for concealment of some information.

### Description

In November 2006, the Moldova parliament appointed the new membership of ACC, shortly after the Municipal Council Of Chisinau voted for the reorganization of the public broadcasting stations “Antena C” and “Euro TV Chişinău”, the president was elected Corneliu Mihalache, former chief-editor of the newspaper “Plus” (the press authority of the Communist Youth Union of Moldova). According to the report “Monitoring of the Implementation of the Audiovisual Code ” by APEL , ACC did not react promptly, adequately and consequently to the legislation deviations that lead to some public character conflicts (the cases of “Antena C” and “Euro TV”) and in other cases affected the public interest. At the same time, ACC had a formal and superficial approach towards the reorganization of other radio broadcasting stations founded by local public authorities thus declining the responsibility stipulated by the law.

In February, this year, ACC withdrew the broadcasting license from the radio station FM-103.5 from Bălţi and gave it to an unknown broadcaster. ACC has been severely criticized by the media organizations from Moldova for the lack of transparency in the case of FM-103.5 in Bălţi.

The Centre of Combating Economic Crime and Corruption (CCECC) blamed several ACC members of extortion of 60000 Euro from the director of a company for the issuance of the “broadcasting license”. One month later, Corneliu Mihalache was dismissed by five votes and the new president of the institution was named Vlad Țurcanu. However, the decision was not published in the “Official Monitor”, the fact which eliminated its juridical power. The scandal of the position of the president of ACC had questioned the functionality of the ACC. Some experts proposed to dissolve the current structure of the institution as a means of solving the critical situation. However, in October, the ACC members have appointed Gheorghe Gorincioi in the position of the president of the institution.

According to the opinion of some ACC members, the power accepted the reform in the domain of the audiovisual just because of considerations of image in front of the European partners. In reality, the government has tried to reduce the reforms to a simulator and to continue to have authoritarian control over ACC.

### Target group

- National and local radio and television stations;
- Parliamentary committee of culture, science, education, youth, sport and mass media;
- Civil society;
- ACC members.

### Impact

ACC is an autonomous public authority in the domain of radio and television broadcasting in the Republic of Moldova that regulates the activity of the companies, studios, stations, etc in the domain of audiovisual. The ACC scandals significantly reduce the credibility of this institution by circulating the idea that ACC does not function in the interest of the public but is making the game for some people interested in controlling the audiovisual.

Moreover, the uncertain situation of ACC worries the audiovisual companies that doubt the ACC impartiality at the examinations of requests of licence extension.

The tendentious decisions of the ACC are qualified by the civil society and the international

organizations as an attempt to limit the pluralism of opinions and the critical voices of mass media from Moldova. The implementation of the new Audiovisual Code has to suffer because of the controversial decisions of the ACC.

## **Dynamics**

As compared to 2006, the situation from ACC has worsened significantly; the institution itself, as well as its members, has compromised itself in front of the national and international public opinion by the adoption of some allegedly legal decisions or by the involvement into scandals. The involvement of the politics into ACC activity threatens the image and the credibility of this institution, the fact that cannot contribute to the reform of the autochthonous audiovisual.

## **Factors**

- Fixed idea of the authorities to politically subordinate ACC;
- Obvious political membership of some ACC members;
- Existence of some political interests.

## **Anticipations**

The appointment of the new ACC president has put a stop, at least for now, to the chains of scandals that kept ACC and the companies at bay. If the ACC will preoccupy only with the reorganization and bringing into conformity with the new legislation of the public services created by the local authorities and will not be politically influenced, then the situation could gradually improve. However, close to the parliamentary elections, the current governing will continuously be tempted to intimidate indirectly the inconvenient mass media using ACC as a tool.

## **Questions**

- Why does ACC allow to be politically influenced?
- Why are the decisions of broadcasting license extension sometimes taken so non-transparently?
- What is the role of ACC in the coordination of the democratic processes in Moldova?
- Who could benefit from the ACC scandals?

## P 22. The Republic of Moldova, continuously penalized at ECHR

### Subject

In spite of the fact that the Parliament as well as the Government of the Republic of Moldova adopt or amend the legislative acts in order to bring them closer to the European standards in Human rights, however it is no surprise when we find out that Moldova lost another case at the European Court of Human Rights (ECHR).

### Description

Until 6 December 2007, ECHR adopted 105 decisions versus the Government of the Republic of Moldova, proclaimed 57 decisions of inadmissibility and exclusion of the requests<sup>1</sup>.

Although the financial obligations are executed in time, the government of the Republic of Moldova is continuously responsible for the violation of the right of an equitable court, the right of effective recourse, the right of property, the right of the freedom of expression, the right to be free from torture, punishment or inhuman or degrading treatment, freedom of religion, the violation of the principles of the stability of the judicial decisions and so on, what leads to the conclusion that the ECHR decisions are executed partially.

The Court Decisions have the authority of judging matter. Thus, the Republic of Moldova has the obligation of concluding the execution of the illicit fact, of repairing the consequences of the illicit fact and avoiding the similar violations that can occur later. Besides the record of at least one violation of the Convention, ECHR also disposes receiving moral and material damage payments caused to the person as well as the costs and expenses related to the examination of the appeal by the Court.

Only in 2007, the violations committed by the representatives of the state institutions and detected by the Court Decisions have cost the public budget more than 1700000 Euro. Additionally to this sum, according to the amiable settlement at the national level, the Government of the Republic of Moldova has committed to pay the claimants over 73000 Euro and 1700000 MDL.

Although many of the officials deny it, the legislation adopted before 2004 stipulated the right of the state to recourse. Even after the coming into force of the legislation regarding the recourse right of the state, not a single authority involved in the human right and the fundamental freedoms violations has been sanctioned.

The judges, prosecutors, the criminal investigators, police and other representatives of law-enforcement units are regularly trained regarding the ECHR jurisprudence. The practical application of the knowledge from the domain of protecting and guaranting the human rights would be more efficient with the existence of continuous training and at the same time promoting the idea of personal responsibility in case of violation and /or limitation of the rights and guarantees stipulated by the Convention. Nevertheless, the simple knowledge of the jurisprudence of the Court cannot guarantee its application in the cases examined at the national level, as long as the legislation of Moldova is applied nonuniformly.

### Target group

- Citizens who claim that at least one right stipulated in the convention was violated;
- judges;
- Government of the Republic of Moldova.

### Impact

The condemnation of the Republic of Moldova cost the public budget more than 1700000 (one million seven hundred thousand) Euro, from this sum 640000 Euro paid according to the decisions that came into force and more than 900000 Euro which have not been paid so far<sup>2</sup>.

Although the Court decisions are made public, there are only a few categories of citizens who have

<sup>1</sup> According to the data base HUDOC (<http://www.echr.coe.int/ECHR/EN/Header/Case-Law/HUDOC/HUDOC+database/>).

<sup>2</sup> This is due to the fact that either the decision is not in force yet, or the decision came into force yet but the period appointed for the state for the satisfaction payment set by the Court has not expired

direct access to these documents – the Court Condemnations are published only on certain websites<sup>1</sup>, and the publication in the Official Monitor is done in a special edition, the number of copies is still limited.

The extended competence of the General Prosecution is still a subject of concern as well as the failure to respect the Court Decision<sup>2</sup>. 26 from the condemnations in 2007 refer to the failure of execution or the delayed execution of the court decision, which represents approximately 50% of the total of the condemnations of the Republic of Moldova. Throughout 1997-2006 – the Court condemned the Republic of Moldova for the failure of execution or the delayed execution of decisions of 18 cases.

Among the decisions that involved significant costs from the state budget as a result of the Court Condemnations in 2007 are the following: Bimer S.A. vs. Moldova case - 520.000 Euro (violation of the right to an equitable court process and the right to property); the case Venera Nord-Vest & Borta A.G. vs. Moldova – 31.318 Euro (violation of the right to an equitable court process and the right to property); the case Ovciarov vs. Moldova – 25.100 Euro (violation of the right to an equitable court process and the right to property); the case Paladi vs. Moldova – 21.080 Euro (application of torture, violation of the right of liberty and security, the right of individual request) etc.

Although the Governmental Agency informs the General Prosecution in time regarding the ECHR condemnations, there are no registered cases (or they simply do not exist) of the initiated state resource actions. Beside the General prosecution, the Supreme Court of Justice should also react adequately referring to the guilty judges, which hasn't happened so far.

The allotment of the extra-budgetary funds to pay the sums of money for the damage set by the Court condemnations risks to affect the rational distribution of the financial sources for other domains that require special attention at the moment – the elimination of the drought consequences, provision of qualitative drinking water, education, basic sanitary conditions for the prisoners, ensurance of the right to a decent living, providing qualitative services for the socially vulnerable groups, etc.

## Dynamics

The number of condemnation cases of Moldova by the court is constantly increasing: 1997 - 2000 no condemnations, 2001 – one condemnation, 2002 – 2003 no condemnations, 2004 – 10 condemnations, 2005 – 14 condemnations, 2006 – 20 condemnations, 2007 – 60 condemnations. In the close future, (December 2007 – February 2008) the Court will give its decision over several decisions versus the Republic of Moldova that will have to pay damage of millions of Euro. The reasons of Moldova's condemnations and the allotment of damage payment as equitable satisfaction are a consequence of the torture application, issuance of obviously ungrounded decisions, failure to execute the judicial decisions, failure to respect the detention conditions, etc.

In 2007, the Court proclaimed 60 condemnations more than in the total of the previous years. At the moment, the number of requests against the Government of the Republic of Moldova (that expect the Court examination) is of 1743. Throughout 2006, the Court had given 20 decisions and obliged to pay 311368 Euro (material and moral damage, costs and expenses).

Until now the sanctioning or the criminal investigation of the judges who according to the provisions of the Court Decisions have applied torture, limited the right to a fair trial, the right to property, freedom of opinion, conditions of detentions have not been initiated.

## Factors

- Ignoring the assumed obligations by the Government of the Republic of Moldova by continuous violations of the previously examined and already stated in Court;
- Lack of official translations of the Court jurisprudence;
- Failure to initiate the settlement of the amiable agreements by the Government in the cases of obvious violations of the provisions of the Convention and its protocols;
- Lack of precedents of functionaries' sanctioning as a result of the condemnation of Moldova at ECHR;
- Non-application, ignorance and/or neglecting of the jurisprudence of the Court by the judges and the employees of the law enforcement units;

<sup>1</sup> E.g.: [www.lhr.md](http://www.lhr.md), [www.justice.md](http://www.justice.md), [www.dejure.md/index.php?go=utile](http://www.dejure.md/index.php?go=utile), [www.scjustice.md](http://www.scjustice.md) (on the site CSJ, the data referring the condemnations of RM by the Court are not up-to-date)

<sup>2</sup> See also the Report of European Commission on EURMAP (COM (2006)726 final) - [www.europa.md/rom/sbmes/107](http://www.europa.md/rom/sbmes/107).

- Lack of a study regarding the practice of the member states of the Council of Europe concerning the recourse actions as a result of the Court.

## Anticipations

The number of the condemnations versus the Republic of Moldova will continuously increase even if previously there have been changes in the legislation regarding the state recourse right. In 2008 there is expected the adoption of the decisions of the claims of Unistar Ventures, Dacia Hotel, Megadat.com, etc which will break the “record” of the given compensations by the Court as fair satisfaction of millions of Euro that will be paid from the state budget.

## Questions

- Why aren't efficient the trainings of the state representatives in the domain of the Court jurisprudence and respecting the human rights and the fundamental liberties?
- What are the allotments that the state uses to pay the sums of money according to the Court condemnations?
- How much will it cost us in future the violation of the fundamental rights and liberties caused by the non-execution of the decisions of the court, torture application and the issuance of obviously ungrounded decisions, and so on.
- Why the judges do not take into consideration the condemnations from the previous cases adopted by the court?
- Is the responsibility of the involved authorities checked in the cases when Moldova was condemned in Court?

## P 23. The [insufficient] funding of the justice

### Subject

Although the Supreme Council of the Magistrate has a certain influence in determining the volume of the justice financing, traditionally the budget of the justice is “censured” by the ministry of Justice and the Ministry of Finance<sup>1</sup>.

### Description

The judicial system is financed by the state budget and at the same time benefits from the technical assistance of the foreign donors.

Referring to the elaboration of the budget project of justice financing, it continues to be elaborated by the Supreme Council of Magistrate (SCM) from the traditional sums proposed by the Ministry of Finance. The calculation methodology on which basis the Ministry of Finance approves the justice budget does not cover the real (or basic) necessities of the judicial system. Thus, there are uncovered expenses for the summoning of the parts and witnesses by letters of recommendation, obtaining the opinion of the experts, etc. At the same time, the problem of insufficient financing of the justice has to be regarded from the aspect of efficient money management or the judicial system is not able to manage correctly and efficiently the financial sources coming from the consolidated budget by the state and the donors. However, the justice budget has to ensure the independence of the justice and the access of everyone to justice.

As concerns the responsibility of managing the allocated funds, the presidents of the SCJ and of the Constitutional Court are responsible for the management of the financial means allocated to these respective institutions. SCM is responsible for the financial funds of the other judicial institutions. Although the number of the military judges of the Military Justice is approved by the Parliament at the proposal of the SCM, based on the notification of the Ministry of Justice, the creation of the conditions for the military justice activity, their technical, material and financial provision is done by the Ministry of Defence with the agreement of the Ministry of Justice and the local public administration authorities from the funds allotted by the Government in this regards.

Although the Law regarding the salary system provided the increase of salaries and other financial rights, we cannot affirm that this increase is the guarantee of the independence, impartiality and security of the judges, especially since the increase of the salaries has been postponed. Thus, the salaries have not been increased considerably, the stipulated allowances were suspended and the judges as well as other categories of public functionaries receive only 80% from the salaries and other rights that derive from this increase stipulated by the law.

As compared to the executive and legislative powers, the judicial power benefits from less “privileges” – the pension of a judge with a working experience of 35 years is the same with those of the people who work for the Government or Parliament; the vehicle provision of the judicial system is incomparable with those of the Parliament or Government, etc. Although the majority of the institutions declares the human resources insufficiency, the necessity of redecoration or technical equipment, nevertheless, the judicial system continues to spend more money than it is allotted from the state budget and/or do not establish the way of changing the expenses to the increase of the balance value of the premises of the ministry of Justice<sup>2</sup>.

Another aspect that refers to the justice financing deals with the modifications of the law regarding the Judicial organization<sup>3</sup> - the judicial police has not been created, expecting to be transferred in the subordination of the Ministry of Justice from 01.01.2010. The invoked reasons are traditional – insufficient financing.

### Target group

- Judges;
- Supreme Council of Magistrates;

<sup>1</sup> *Evaluation of the necessities of the judicial system of the Republic of Moldova, 2006* - [http://www.humanrights.md/rom/index\\_rom.html](http://www.humanrights.md/rom/index_rom.html); The indicators of the Justice reform for Moldova, volume II, Chişinău, 2007, pag. 51; etc

<sup>2</sup> The means of managing the resources of public finance from the budget 2006, Court of Accounts of RM // <http://www.ccrm.md/file/raport/Raportul%202006.pdf>, pag. 122.

<sup>3</sup> Modified by the Law nr. 247-XVI from 21.07.2006, published in OM MO Nr. 174-177 from 10.11.2006

- Judge Union of Moldova;
- Government of the Republic of Moldova.

## Impact

Although the budget of the judicial institutions is constantly increasing (in 2007, the financial allotment increased with approximately 8%, and in 2008 as compared with 2007 - 7%) we cannot affirm that it represents a normal budget increase or it is a compensation of the expenses determined by the price increase or inflation.

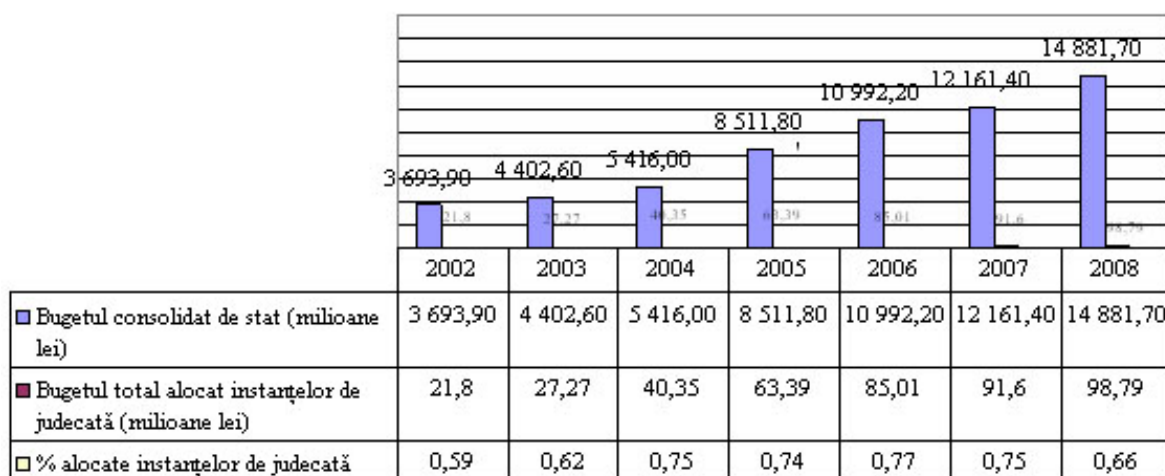
Though the majority of the judicial institutions do not have premises to ensure the security of the victims and witnesses in the examined cases, there are doubts as to the legality of the reconstruction and renovation sources of the judicial premises and their technical endowment, since the judicial institutions were not allotted (necessary) financial sources for their purchasing<sup>1</sup>. For the reconstruction of the premises, by tenders or directly, there were selected the same companies who provided these services previously and in which the Court of Accounts, the Construction Inspection and other institutions have identified irregularities referring to the qualitative provision of services and the ungrounded increase of the construction works<sup>2</sup>. The increase though paid to the workers was not stipulated by the state budget.

## Dynamics

From the creation of the national judicial system, it benefited from increased (technical) assistance from the consolidated budget as well as from the international and regional institutions. According to the Action Plan of implementation of the Strategy of consolidation of the judicial system from 2007-2008, p to the end of next year, the judicial system of the Republic of Moldova will be equipped with informational technology, license software, the functioning of the system of random distribution of cases, a monitoring system of the performance of the judge and the auxiliary staff will be implemented, and so on. The strategy was elaborated to guarantee the independence and impartiality of the judicial system of the republic of Moldova.

The table below<sup>3</sup> proves the increase tendency of the allotted sums to the judicial institutions.

**Bugetele instantelor de judecată în Moldova, 2002 - 2007 (milioane lei)**



Thus, as compared to certain indicators, financing of the judicial system is constantly increasing, but as compared to the allotments from the consolidated state budget, the financing of the justice remained almost the same.

## Factors

- Small influence of the justice on the Government and the Parliament concerning the formation and/or

<sup>1</sup> Not calculating the technical assistance of several donors of RM.

<sup>2</sup> See "Comcon-VM", provider of services to the Court of Appeal, CSJ and other administrative premises. <http://garda.com.md/150/investigatii>; The management of the public finance resources from the budget 2006, Court of Account of RM // <http://www.ccrm.md/file/raport/Raportul%202006.pdf>, pag. 132 – 133.

<sup>3</sup> The indicators of the Justice reform for Moldova, volume II., Chișinău 2007, pag. 54.



the increase of the budget intended for the judicial institutions;

- Lack of control from the state regarding the “extra-budgetary” sources used in renovation and technical supply of the institutions;
- (Technical) assistance from the donors of the Republic of Moldova.

## Anticipations

Although the judicial system will continuously benefit from the financial support of the donors, the problem remains pressing.

According to the Action Plan of the Implementation of the Preliminary Country Plan of the Republic of Moldova in the framework of the USA programme “Millennium Challenge”<sup>1</sup>, the judicial system will benefit from the reconstruction of 4-5 judge offices, adaptation to the international standards and recommendations of more than 200 court rooms, and so on. The support of the judicial system will be contributed by the traditional donors in this regards, the European Commission, The Council of Europe, UNDP Moldova, etc.

Lack or insufficient financing intended for the judicial institutions does not represent a problem but rather the quality of management of the money.<sup>2</sup> Thus, the financial support of the donors will solve the problem of insufficient financing of the justice only partially.

## Questions

- Why is the justice financed from the state budget and not GDP?
- Why does the process of elaboration of the justice budget not have a separate legal framework from the one stipulated in the law of the budgetary process?
- Shall it be considered intervention the elaboration of the budget of the Military Justice by the Ministry of Defence in agreement with the Ministry of Justice?
- Why aren't the financial funds intended for the justice managed correctly, always needing additional sums usually without financial covering?
- Why is the judicial system not separate from the administrative authorities, by removing or diminishing the role of the Government or the Ministry of Finance from the process of creation of the budget for the justice?
- How can be justified the fact that the system of judicial institutions spends more money than it is allocated from the state budget considering their lack of resources?

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<sup>1</sup> Action Plan of the Implementation of the Preliminary Country Plan of the Republic of Moldova in the framework of the USA programme “Millennium Challenge”, approved by the decision of the government nr. 32 din 11 January 2007.

<sup>2</sup> I don't know and I believe no other institution knows the share of the technical assistance that the judicial system benefited from 2007 inclusive. It is certain that the state saved enormous sums of money by not allotting finance for equipment, study tours, purchasing of specialized literature, etc. from the funds of the foreign donors.

## P 24. The vulnerability of justice in front of political interests

### Subject

The judicial system will continue to suffer from political pressure and the government is exerting its influence at the appointment and promotion of the judges. The intervention of the political power and the corruption decreases the credibility of the population towards the whole judicial system and attempts at the right of a fair trial, and judging the case independently and impartially.

### Description

Art. 6 of the Constitution of the RM stipulates that: “the legislative, executive and judicial powers are separate and cooperate within the given prerogatives”, however, unfortunately, many people believe that “...the independence of justice in the Republic of Moldova is on the ground”<sup>1</sup> and that “at the moment, in the Republic of Moldova there are ordered judgements, after a telephone call, at the disposition of the presidential councillor”<sup>2</sup> and not only. Moreover, if the power influence over the justice is considered completely unreal, then by the law regarding the status of the judge, without the approval of the president a judge cannot be sanctioned, not even administratively.

Justice is done in the name of law only by the judicial institutions, and the judges are independent, impartial and irremovable. Thus, the independence of justice can be seen only by the judges. Under the conditions when they have the status of irremovability, they have the right (perhaps the obligation) to unveil in the public the attempts to influence a process. As this did not happen, we understand that either such incidents never existed, or the judges were characterized by fear and then they do not deserve to be in this position. However, no matter how much we prove it, independence is not a privilege of the judge, but a benefit for the citizen.

The opinions of the citizens, the declarations of the political leader, the case *Flux vs. Moldova*, partially separate opinion of the Judge Benello Giovanni and other people are not the only sources that cause doubts regarding the independence and impartiality of the justice. Perhaps, many of the mentioned things by Judge Benello Giovanni are politicized, sometimes in an exaggerated way, but it is certain that it should not categorically characterize the entire judicial system. We have judges that honour with dignity their function and activity to which they give all their efforts and experience. However, surprisingly, the Government of Moldova, SCM, SCJ have not provided relevant evidence that would refute the evidence and the declarations of the newspaper FLUX that based the partially separate opinion of the judge Benello Giovanni in the case *Flux vs. Moldova* examined by the Court. In its press communiqué, SCM was basing only on the “citizens right of free expression” and other adjacent aspects, but it does not refute the conclusions and the arguments brought by the Maltese judge in Court<sup>3</sup>.

We do not have reservations referring to the legality of the documents issued by the judicial institutions (presumably to be legal from the moment of their declaring) but the procedure itself and the indirect (possibly direct as well) pressure on the judges upon taking the controversial decisions in the so-called “political cases” (E. Muşuc, N. Pasat, S. Urecheanu, Gh. Sima, A. Țurcanu and so on.) or the validation of the elections (e.g. the elections from Buteni village, Hâncești district). However, sometimes the procedure, duration, the controversial decisions and other actions of the judicial institutions cause uncertainty or doubts.

### Target group

- Citizens;
- Judicial institutions;
- Political parties;
- State institutions (Presidency, Government, Parliament, ministries, agencies, services, etc.);

<sup>1</sup> Benello Giovanni, extraction from the partially separate opinion referring to the case nr. 31001 – *Newspaper Flux vs. Moldova*. closed at 3 July 2007 with the condemnation of Moldova. <http://www.jurnal.md/article/3678/>.

<sup>2</sup> Ștefan Secăreanu, vice-president of PPCD, Christian-democratic member of parliament, the chairman of the parliamentary committee for human rights, <http://politicom.moldova.org/stiri/rom/66983/>

<sup>3</sup> What has to be remembered is that only the court decisions are mandatory and represent a precedent for Moldova and not the partially separate opinion of the Maltese Judge, however this opinion should not be neglected.

- Mass media.

## Impact

Obviously, the freedom of expression and criticism towards the judicial act is indispensable from the constitutional democracy, but it has to be respectful even when a severe attitude of criticism is expressed. It should also be mentioned that some judges have adopted decisions or separate opinions in the cases when there involved the interests of certain political parties (e.g. the case of Mrs. Eugenia Duca; the “division” of the Square of the National Meeting one day before the local elections in Chisinau, etc) or anticipating a Court decision, the Government is condemned by a national instance.

The protection of the judges against attacks or assaults of any nature should be supported by the other powers of the state, the legislative and the executive ones. However, there are still cases when after a thorough examination of the cases of the judges who apply for the judge position it is rejected by the parliament or president. On the other hand, is it not a coincidence that in the case of former judge Gh.U and others who were rejected after the press declarations claiming that the power is applying pressure on the judges in the adoption of decisions?

There are concerns raised by the fact that the political parties publicly discuss the candidates for the judge positions of all levels, not being based on professional criteria and other related to the law. Thus the procedure of judge appointment, notwithstanding the jurisdiction level should be based on the following principles: the principle of professional competence; the principle of promoting the fundamental rights and liberties stipulated in the Constitution and the international documents that the Republic of Moldova is a member of; the principle of promoting and protecting the independence of judicial power; the principle of the transparency, etc. The candidates should be evaluated according to the following criteria: experience in settling complex cases, procedural discipline, integrity; knowledge and use of judiciary practice of the Court; coherence and clarity of argumentation; independence and impartiality in decision adoption, the constant training and interest towards the judicial research, and why not, lack of “criminal record history” of cases of condemnation by the Court of Moldova

The cases of abuse, adoption of obviously ungrounded and illegal decisions (inclusive the cases when the Republic of Moldova was condemned in Court), even the violation of professional deontology<sup>1</sup>, is already a reason of considering the respective judge does not fit the conditions of a good reputation and should be dismissed/rejected. On the other hand, do the involvement in illegal affairs, corruption, violation of professional deontology, judicial errors, negligence and other actions not specific to the judge activity doubt the independence and impartiality of the decision adoption?

Lack of justice independence and impartiality in the speeches, criticisms and threats coming from outside bring the threat that the citizens do not believe in the social equity. Unfortunately, SCM, the Association of Judges of Moldova, the Prosecution and other state institutions did not react to the severe attacks from the political power who repeatedly threatened the independence and impartiality of the justice in the Republic of Moldova

## Dynamics

Even if this indicator does not seem to have qualitative and directly measurable indicators, the dependence or independence of justice towards the political power can be measured with the indicators referring to the credibility of the population, the appreciation of the independence of justice, the quality of the judicial act, the index of perception of corruption in justice, the controversial decision in the same cases, the reaction of the judges to the attacks of some political leaders in their activity, etc.

Unfortunately, the election campaign and the local elections in 2007 have demonstrated that the judicial institutions are not always independent and unbiased in the adoption of decisions.

As long as the judges will not realize the negative impact of the deviation from law application in any case that they examine, the number of people who do not trust the national system of justice will increase, as well as the negative remarks in the reports of the experts on the viability of the justice independence in the process of decision adoption. The level of trust towards justice will remain at a low level considering the number of condemnations in Court, the superficial collaboration of the judicial power with the mass media and the civil society and the actions of the judicial corps that cast doubt on the

<sup>1</sup> Such behaviour was signalled in the half-yearly analytical reports: “Preliminary conclusions of monitoring the court sessions in the republic of Moldova” in the framework of the OSCE Programme of monitoring of court sessions in Moldova, by the OSCE mission in R. Moldova.

functioning capacity of the entire system (e.g. the repeated proposals of the candidates to appoint or extend the judge mandate until the age of retirement, the insistence in adopting the budget for justice considering the real necessities, notwithstanding the arguments of the Government or other state institutions), etc.

## Factors

- Hyper-centralization and political influence;
- Lack of trust and fear of the judges towards the political power;
- Dependence of the magistrates in the professional promotion.

## Anticipations

The number of cases that would point out the dependence of the justice on the political power will continue to increase as long as the judges will not be provided with real independence and the limitation of the interference in their activity, and the judges themselves will take immediate actions in cases of abuse or attempts at the judicial act.

However, the recent draft laws cause concerns, where the judges would have to justify the income that they have and not just declare it<sup>1</sup>, at the same time the Law regarding the declaration and control of income and property of the state officials, judges, prosecutors, public functionaries and persons with leading positions<sup>2</sup>.

We hope that the adoption and modification of the legislation regarding the activity of the judges, SCM, the activity of INJ, the promised salary increase for the magistrates, the implementation of the Strategy of consolidation of the judicial system, the realization of the impact of the quality of judicial act over the society, deep knowledge of the international standards of human right domain, applying the normative documents that would promote the extra-judiciary settlement of the litigations will be significant elements in ensuring the independence of judicial power from the political power.

## Questions

- Why did SCM, the Union of Judges of Moldova and/or every judge at the individual level not react immediately in the cases when the political power or any other external influence attempted upon the authority, independence and impartiality of the justice?
- Why do the political parties openly protect the candidanship of certain judges for different positions (including bringing forward the candidates for the Court) in some cases less referring to their professional qualities?
- Why does the Parliament discuss the adoption of draft laws regarding the mandatory character of the justification of the income for judges only and leaves out the rest of the categories of the functionaries?
- Is there a connection between the dependence and independence of justice in the Republic of Moldova and the ECHR condemnations referring to the violations of human rights and liberties?

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<sup>1</sup> <http://www.europalibera.org/news/ro/archives/2007/11/15.ASP?tag=#691846>

<sup>2</sup> Law Nr. 1264 from 19.07.2002 regarding the declaration and control on the income and the property of the state officials, judges, prosecutors, public functionaries and high positioned persons Monitorul Oficial Nr. 124-125)

## P 25. The quality of the judicial act

### Subject

There is noticed a great distance between the “consumers of justice” and the magistrates. At the same time, in its present structure SCM does not have the possibility to perform checks on the spot regarding the organization of the examination of the cases and materials, including of what refers to identification of the cases that are under examination for a long time and the violations of the procedure committed during the case examination.

### Description

The quality of the judicial act depends on the attitude and personal behaviour of the judges. The judges have to trust the whole society and it involves the impartial, independent and uninfluenced from outside judgement of any case, which unfortunately is at a very low level in the Republic of Moldova. And, when some part has legitimate doubt regarding the independence and impartiality of the judges this is already a serious problem.

The respect of the population towards justice, the impact and the awareness of the judicial act by the citizens, the statistics of the means of attack and their grounds, the terms of examination of the cases, the condemnations of the Court, the illegal extension of arrest, the sentence reported to the attempted social threat represent some of the aspects that determine the evaluation of the quality of the judicial act. Even the random distribution of the cases, the scheduling of court sessions (especially during holidays) influence the quality of the judicial act. From the analysis of the request to the SCM we can conclude that most frequently the dissatisfaction with the decisions of the judges, the terms of examination of recourses in criminal cases, the issuance of copies of judicial documents and the translations of adopted documents.

The lack of staff influences the duty tasks and it determines the superficiality and incomplete motivation in all the aspects of the indicated circumstances of the case in court.

Although the national Plans and Strategies mention the creation and the functionality of the web pages of SCJ, SCM, JNI, the court portal, they are not yet functional. There is a proposal to publish the issued documents by JNI, CSJ, SCM, the final decisions of the courts and court of appeal. Thus, the judicial practice is not accessible and the explicative decisions are reduced. However, the creation and the functionality of the web pages is not only the safest source for the citizens of the access to the documents and jurisprudence of the Moldovan courts.

There are a few judges who correctly apply the law and rule the cases fairly, efficiently and rapidly, the fact that surely influences the quality of the judicial act. The 60 cases of condemnation of the Republic of Moldova by the Court in 2007 serve as prove; contrary to the Recommendations of the European Commissioner of Human Rights, the judge decisions continue to the subject of revisions outside the appeal procedure.

The failure to comply with the court decisions that came into force including by the high rank officials<sup>1</sup>, continues to be problem that affects the quality of the judicial act.

The simple periphrasis of the reasons of the law regarding the application of measures to the suspects, and the inditees<sup>2</sup>, the inconsistent application of the justice and disregarding the Court jurisprudence represent other factors that influence the quality of the judicial act. It influences the erroneous application of the legislation<sup>3</sup>, increases the distrust of the citizens in justice, increases the application of liberty depriving sentences, as a result of the incapacity to comply with the contractual commitments<sup>4</sup>.

### Target group

- The case parties;

<sup>1</sup> The failure to comply with the court decision by the Ministry of education and youth regarding the position reestablishment; the failure to comply with the court decisions by the Ministry of Foreign Affairs, the Ministry of Defence, Prosecution and other public authorities regarding the pension increase, provision of accommodation to the officers, etc. (e.g. the decision of the Chisinau Court of Appeal from 27.04.2007, the decision of the Chisinau Court of Appeal from 25.05.2007, the case Botnari vs. Moldova (appeal nr. 19981/02); case Stoian vs. Moldova (appeal nr.34864/03), etc.), etc.

<sup>2</sup> See the case *Muşuc vs. Moldova* from 03.11.2007.

<sup>3</sup> The periodical and annual reports regarding the organization and functioning of courts.

<sup>4</sup> Although it is forbidden by Art. 1 protocol 4 of the European Convention regarding the fundamental human rights and liberties

- Citizens;
- Judges.

## Impact

Although there is noticed increase in justice, however, the number of condemnations of the Republic of Moldova in ECHR has also increased as well for the previously condemned violations. Obviously, we do not doubt the legality of the decisions/rulings that are presumably legitimate from the moment of their ruling, but the “mistakes” of the national courts stated by the repeated condemnations Moldova by the Court – the unfounded extensions of arrest warrant, the admission of tardive recourse, the reasonable duration of the case, etc.

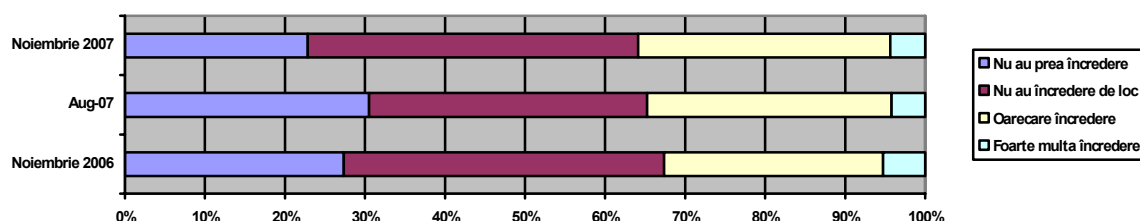
Even though the judges are regularly trained regarding the improvement of the judicial act in the domain of the Court jurisprudence, the norms and the standards in certain domains of law application, however, they continue to commit the previously stated mistakes.

The quality of the judicial act influenced by the erroneous application of the legislation increases the lack of trust of the citizens in justice, increases the application of liberty depriving sentences as a consequence of the contractual commitments.

## Dynamics

A positive tendency constitutes the adoption of the normative acts in the domain of facilitating the free and equal access to justice for all the people who require qualified judicial assistance. However, the trust in justice continues to be on a low level. According to the Opinion Barometer done by the Institute of Marketing and Surveys (IMAS) in November 2007 referring to the given trust to justice by the citizens: 26 % do not really trust it, 38 % do not trust it at all, 26 % have certain trust, 5 % - trust it a lot.

According to the IMAS survey for August 2007, referring to the given trust to justice by the citizens: 29 % do not really trust it, 33 % - do not trust it at all, 29 % - have certain trust, 4 % - have total trust.



The average annual workload of a judge is of about 210 cases per judge (which include administrative, civil, criminal and other cases). Most probably, the load of the judges will decrease but the complexity of the cases will increase.

ECHR has repeatedly pointed at the legislation violations in the initiation, investigation and examination of the cases in the judicial system failure to comply with the decisions, violation of the right to a fair trial, etc. these condemnations will continue to increase. Only a few judges speak the official Court languages (English and/or French), thus they study the jurisprudence of the Court of other cases only from the translations into the languages that they speak (Romanian and/or Russian), not mentioning the treaties and the commentaries of the domain of the speciality.

Although the number of examined cases by the courts have decreased as compared to the same period of the last year<sup>1</sup>, the quality of the judicial act can be evaluated as unsatisfactory.

Besides the problems and deficiencies mentioned above (as well as those not included in this study) we should not ignore the fact that the increase of the decisions and rulings of the court that refer to international acts including the Court jurisprudence. The application of the Convention norms and practice of the Court mostly has a general character without their interpretation in the litigations, thus the reasoning that refer to the provisions of the international law norms are not related to some concrete cases<sup>2</sup>.

The uniform application of the legislation of the republic of Moldova, the knowledge and the application of the recommendations of the Court and other relevant organizations can influence the improvement of the quality of the judicial act.

## Factors

<sup>1</sup> In the first half of 2007 as compared to the respective period of the previous year, the number of the civil actions examined increase from 24.634 to 25.841 of cases, that is 5211 or 21.1 % more; the number of examined criminal cases decreased with 766 cases to 6189, that is 11%; the number of examined cases regarding the administrative contraventions reduced from 52.333 to 50.559 or with 3,4%.

<sup>2</sup> Analytical Report. Monitoring the violations of human rights reflected in the irrevocable judicial decisions. The Centre of the Lawyers. Chişinău 2007, Pag. 83

- insufficient number of the corps of judges in the majority of the courts of the country;
- inconsistent application of the judicial practice and disregarding the ECHR jurisprudence;
- impossibility of accepting or rejecting by the judge of arguments regarding the inadequate professional training;
- lack of univocal practice in certain categories of reasoning when some superior instances adopt completely opposite acts;
- application at a low level of alternative measures of the liberty depriving sentences;
- large monthly workload of the judges<sup>1</sup>;
- lack of knowledge of European circulation languages (especially English and French);
- lack of cooperation between the civil society and the judicial power.

## Anticipations

The quality of the court decisions will remain at a low level as long as the citizens do not believe in the act of justice, the judicial practice is applied inconsistently, and controversial decisions will continue to be given on the same cases, many decisions being annulled or reviewed after being definite, the long terms of examination of the cases, etc. It is explained by the fact that the taken measures in this regards have not given any evident results.

However, the improvement of the quality if the judicial act depends on every judge: the uniform application of the legislation, the application and consideration (at decision making) of the Court jurisprudence, the recommendations of the European Commissioner of Human Rights, etc, as well as the national legislation.

## Questions

- Why is the establishment of Judiciary Inspection delayed?
- Why does SCM point out to the courts the same “historical” reasons of delaying the case examination – failure to respect of the preliminary session procedures, the unfounded postponing of the sessions by the prosecutors, lawyers, judges, case parties, witnesses, etc?
- Why, when being informed about the presence of the persons who monitor the court sessions, the judges allow themselves to breach the deontology and have inadequate behaviour towards the case participants?

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<sup>1</sup> The average monthly workload is about 49,9 of cases, The SCJ Bulletin nr. 8/2007.



## **P 26. The systematic application of torture, inhuman or degrading treatment or punishment towards the detained or imprisoned persons**

### **Subject**

According to the data of General Prosecution, in eight months of 2007, there were started 30 criminal cases on art. 309 of the Criminal Code ("Torture"), eleven of them were sent to court. The decisions on these cases are not known so far.

Often the law enforcement authorities sanction their employees by the norms referring to exceeding their authority and not the application of torture, inhuman or degrading treatment or punishment.

### **Description**

Even if the fundamental human rights are guaranteed (the right to protect health, right to life and physical and psychological integrity) and the police should protect the life, health and liberties of the citizens, the interests of the society and the state, some representatives of the law enforcement authority violate the provisions of their activity. The prosecution has stated that the most frequent cases of torture, inhuman or degrading treatment or punishment are usually registered in the actions of the policemen during the examination of the information regarding the violations at obtaining the favourable information while collecting the evidence of criminal cases, as well as the cases when the policemen applied these acts being off-duty when settling their personal problems.

The recent modifications of the legislation regarding the adoption of international standards in torture prevention and combating, inhuman or degrading treatment and punishment (including the execution of Code of the republic of Moldova) have not significantly influenced the reduction of the cases of applying these treatments. The citizens' complaints continue addressed to the national and international authorities referring to the behaviour of the employees of the law enforcement authorities that attempt at the physical and psychological health. Unfortunately, the beating and abuse of the detained or convicted persons continue to be "normal". Lack of transparency in the activity and independence in decision taking are the main impediments in finding the truth, punishing the guilty persons and compensating the damage of the victims.

The employees of the Ministry of Internal Affairs and other law enforcement authorities are continuously freed from the investigation, are refused criminal record files, although they applied torture towards citizens, illegally detained them, forcefully transported them to the police stations, etc. The majority of the replies from the law enforcement authorities that were informed on applying torture and/or other cruel treatment of their staff members are standard – "the facts described in your petition did not confirm...the act does not include the constitutive elements of a violation". We would like to state that in the case of Zeynep Özcan vs.Turkey, ECHR has pointed out that in case of maltreating the guilty policemen have to be dismissed. Unfortunately, there are a few examples when in cases of torture or inhuman or degrading treatment or punishment the policemen or the members of other law enforcement authorities were sanctioned in this manner.

Bringing the people in front of court as soon as possible after the arrest represents an important guarantee for the protection of fundamental rights. In each case, the court has to ensure that the detention is legal and to investigate if torture or other cruel acts have been applied, which occurs frequently, even among the cases in which Moldova was condemned - E. Muşuc, N. Pasat, S. Urecheanu, A. Ţurcanu, and so on. At the same time, considering the Court statements, according to the case Colivaba vs.Moldova the medical-legal expertise has to be questioned as well.

The existence of a special regime in the detention facilities does not justify the limitation of the fundamental rights of the detained people and of their visitors by thorough searches, vagina inclusive<sup>1</sup>. In the cases of condemnation of Moldova by the Court, the following violations of the detained were

<sup>1</sup> <http://garda.com.md/149/investigatii/>

<sup>2</sup> The person detained in the MAI IDP risks more to be exposed to torture, to get infected with tuberculosis or pneumonia than in the penitentiary MJ [http://www.europa.md/upload/File/boxedreapta/EU\\_r.pdf](http://www.europa.md/upload/File/boxedreapta/EU_r.pdf), pag. 64

<sup>3</sup> The Parliamentary Assembly of the Council of Europe has repeatedly brought up the issue of providing the elementary conditions for detained persons (e.g. p. 18.2. of the Resolution of the Parliamentary Assembly of the Council of Europe nr. 1572 (2007); see also [http://www.humanrights.md/rom/index\\_rom.html](http://www.humanrights.md/rom/index_rom.html); [http://www.ombudsman.md/Ses\\_avize/412/](http://www.ombudsman.md/Ses_avize/412/);

mentioned: the right to liberty and security, lack of legal grounds to apply or extend the preventive detention, violation of the confidentiality right in the communication with the lawyer, detention in anti-sanitary conditions<sup>2</sup>, in overcrowded cells, without ventilation, limited access to day light and drinking water<sup>3</sup>.

## Target group

- Persons who were subject to torture, inhuman or degrading treatment or punishment;
- Members of law enforcement authorities;
- Relatives and close persons of the victims of torture, inhuman or degrading treatment or punishment.

## Impact

Although the General Prosecution and MIA make certain efforts with the reference to prevention and combating of torture, inhuman or degrading treatment or punishment, still there treatments continue to be heavily and systematically applied to the persons in detention. The General Prosecution cannot lead an independent and short-term investigation what means that the people who used torture, inhuman or degrading treatment or punishment are very rarely sanctioned, and the victims besides the fact that they went through unbearable pain or became handicapped do not get any compensation. The relatives of the torture victims are also traumatized and support the consequences of the torture – medical care, medications, stress, fear, etc. Thus, regretfully we can conclude that the state does not manifest interest towards the victims of torture who have mental disorders and/or other health injuries.

Although the Consultative Council was established as a national mechanism of prevention of torture, inhuman or degrading treatment or punishment, we are not optimistic about its efficiency – CpDOM set up the first meeting with the active NGOs in the sphere of prevention of torture, inhuman or degrading treatment or punishment only for the beginning of December 2007. Unfortunately, according to the acting regulations, the Consultative Council will be a dependent structure both functionally and financially, its activity being established by a regulation approved by the director of CpDOM. As refers to the draft law regarding the state budget for 2008, as well as the final version of this law, there are not allocated financial sources for the activity of this institution.

By ratifying on 30.08.2006 the facultative Protocol of UN Convention against torture the Republic of Moldova committed to create such an authority, although dependent.

## Dynamics

According to the ECHR condemnations in 8 cases of torture the Republic of Moldova had to pay over 120000 Eur as equitable satisfaction to the victims. The condemnations based on art. 3 of the Convention: Ostrovart (penitentiary detention conditions), Becciev (penitentiary detention conditions), Șarban (lack of medical assistance in preventive detention), Corsacov (police abuse of a minor in penitentiary detention), Holomiov (lack of medical assistance in preventive detention), Boicenco (physical abuse in CCCC), Pruneanu (police abuse in preventive detention). Although these condemnations were issued even earlier than 2007, presently the Court has several complaints of the victims of torture, inhuman or degrading treatment.

In 8 months of 2007, the Prosecution started 30 criminal cases for torture and 65 for power exceeding. In 2006, the prosecution started the criminal investigation in 165 cases of torture, inhuman or degrading treatment or punishment, power exceeding followed by violence abuse, 50 cases of those being for torture and 115 for power exceeding. In both sources of the Prosecution the number of closed cases, the sanctions and the number of condemned or acquitted people in these cases are not mentioned.

Unfortunately, this information cannot give us a clear picture on the research of all cases of torture, inhuman or degrading treatment or punishment and the penalization of those who committed it, because it cannot be compared to the complaint of the citizens who went through bad treatment, as well as the number of recourse requests against refusal dispositions to start a criminal investigation, etc. The fact that the person did not file recourse against the refusal disposition does not mean it never happened.

The law enforcement authorities continue to organize several training activities regarding the compliance with the human rights in the penitentiaries and the reestablishment of the persons freed from detention.

Starting from 2005 till present, the Republic of Moldova has been condemned by the Court in 8

cases for torture and maltreatment, 4 of them in 2007.

## **Factors**

- Lack of efficient tools of execution of alternative punishments;
- Lack of resource and experience of CpDOM to assure the efficient activity of the Consultative Council;
- Existence of reminiscences of the former system of treatment of the suspected, accused, indictees and convicted persons;
- Exaggerated self-confidence, lack of professionalism and the low culture level of the employees of the law enforcement;
- Failure to comply with the principles of legality, presumption of innocence, compliance with human rights and dignity;
- Police performance indicators that stimulate the number of cases of torture, inhuman or degrading treatment or punishment;
- Limited independence of the law enforcement authorities in the investigation/examination of the cases when torture, inhuman or degrading treatment or punishment occurred.

## **Anticipations**

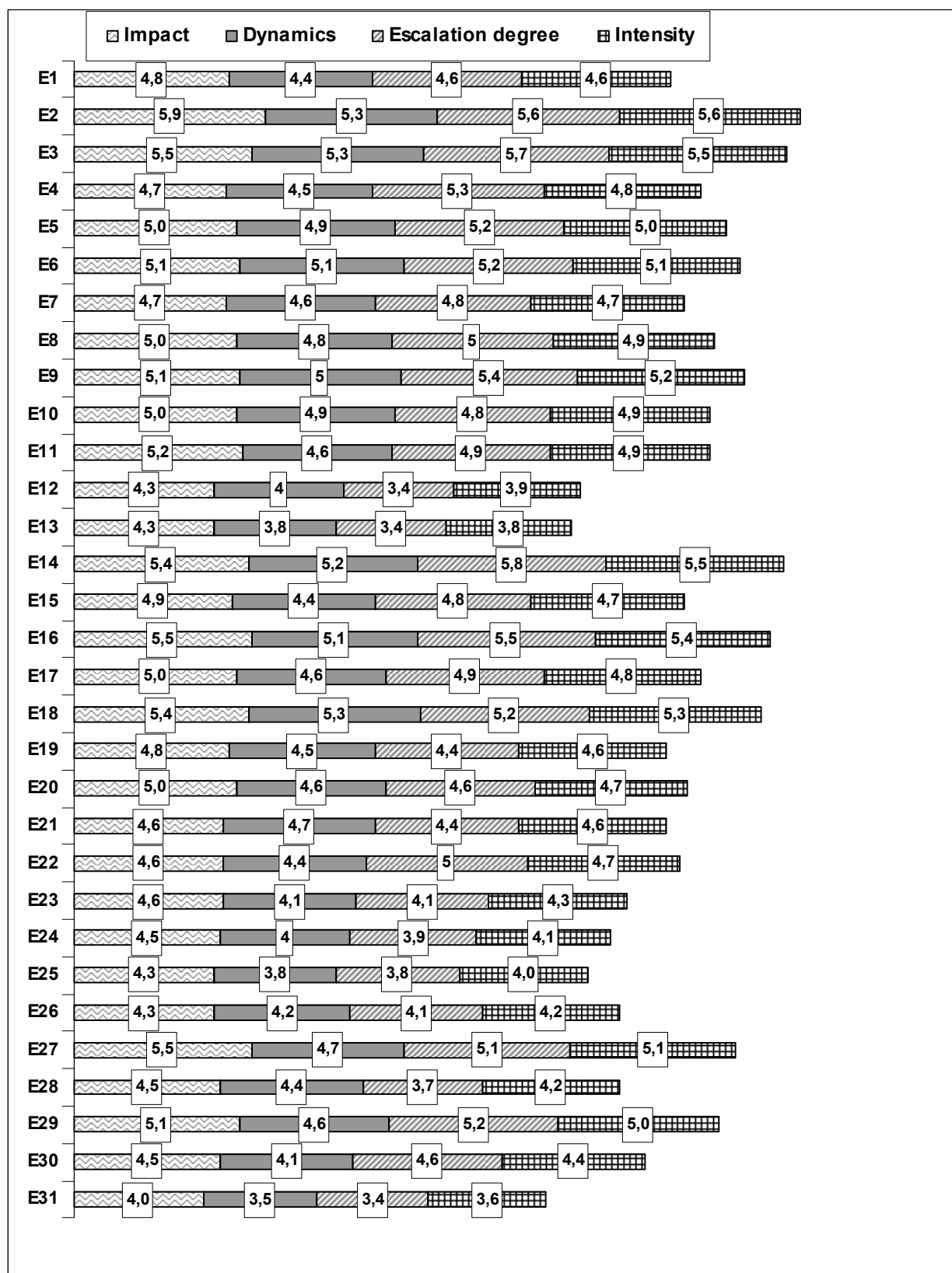
Although the appeals and condemnations of the Republic of Moldova by ECHR will increase, as well as in the previous period, in future, only a small number of the employees of the law enforcement authorities who applied torture, inhuman or degrading treatment or punishment will be sanctioned. If the Ministry of Internal Affairs and other law enforcement bodies will not brief their staff on the interdiction and the effects of applying torture, inhuman or degrading treatment or punishment, the cases of using these illegal procedures will remain at the same worrying level.

Due to the activity of active NGOs in this field, the detained persons will be regularly informed and they will be continuously provided the legal assistance to the relatives of the convicted, assistance in criminal law and procedure, civil law, social protection, etc.

## **Questions**

- Why do the courts in their decisions do not reflect the partial responsibility of the state in the instances of torture, inhuman or degrading treatment or punishment?
- Why the employees are not dismissed if there are complaints filed on them for torture, inhuman or degrading treatment or punishment or power exceeding?
- Why there are no confidential mandatory medical examinations at the moment of bringing a person into detention facilities?
- Why the state does not compensate the material and moral damage to the torture victims and their relatives?
- What are the reasons that impede the Prosecution to examine timely, completely and in all aspects the cases of applying torture, inhuman or degrading treatment or punishment?
- What are reasons that impede MIA to combat and prevent applying torture, inhuman or degrading treatment or punishment?
- What actions are taken by the Bar Association referring to offering low quality services to people exposed to torture, inhuman or degrading treatment or punishment?
- What are the (legislative, institutional, etc) suggestions of the Prosecution, MIA, and the Bar Association referring to eliminating the practice of torture, inhuman or degrading treatment or punishment of the people in detention?

## Indicators of the problems from the economic domain



The data from the table represent the values presented by the ten independent experts for every indicator of the 100 problems.

## E 1. Chronic trade deficit

### Subject

The trade deficit has exceeded 1,8 billion USD during the first 10 months of the 2007 year and there are certain tendencies that by the end of the year it will surpass 2 billion.

### Description

The deficit of the Trade Balance seems to explode. The degree of covering the imports with exports during January-June was of 37%, compared to 40% in the first semester of 2006.

The economic policy led by the National Bank and the Government of The Republic of Moldova, oriented towards liberalization and stimulation of external trade, has had as a consequence a steady increase in the volume of commercial transactions with the other countries, and even more, there have been created favourable conditions for increasing the imports. The latter is supported by the increase of the consumption demand.

In spite of the exports increasing by over 27% - up to 600 million USD – the imports have increased even faster, by 38%, up to over 1,6 billion USD. Although apparently modest, the growth of exports was considerable, if we eliminate the effects of the embargo upon the wine export.

The problem consists in the fact that in Moldova the import is more profitable than the export, taking into account the constant appreciation of the national currency. In addition, Moldova imports goods with a higher and faster increasing price than the price of the exported goods. Consequently, Moldova had an enormous deficit on mineral products and fuels – over 327 million USD, followed by cars and machinery – over 180 million USD, chemical products – over 144 million USD.

Another aspect of the problem is the low competitiveness of the domestic products, the incapacity of the local manufacturers to profit from the trade preferences of the UE. Thus, the deficit registered with the countries of UE has increased by 1,5 times and with the CSI – by 1,3 times, while the proportion of these deficits in the total deficit is of almost 41,4% and 36,2%, respectively.

### Target group

- Exporters and importers;
- Ministry of Economy and Commerce;
- The National Bank of Moldova.

### Impact

The trade deficit is the most eloquent indicator that the national economy is not competitive. The autochthon manufacturers can hardly compete on the external market as well as on the internal market, the latter being more and more invaded by the import products.

In 2006, the balance of the trade deficit in GDP has reached the level of 44,7%; the deficit of the balance of payments is compensated only by the increasing flow of remittances. In case of a possible decrease or stopping of the remittance flow, the national economy would be on the verge of economic collapse.

### Dynamics

The expansion of imports at a rate faster by 31,2 percent points than the export rate has led to the increase of the trade deficit by 1,7 times compared to the trade deficit registered in the first trimester of the 2006 year.

The diagram below shows clearly that the trade deficit is constantly rising. The only positive tendencies that can serve as premises for the affirmation that the situation will improve are: the growth and diversification of exports, the cancellation of the interdictions set by the Russian authorities upon the products of vegetal and animal origin; the recovery of the wine export to The Russian Federation.

## Evolution of export, import and the trade balance

In January-July 2000-2007, mill. USA dollars



Source: National Bureau of Statistics

### Factors

- The increase of the prices of gas imported from Russia;
- The stopping of delivery of some products from Moldova to Russia, especially of wine and vegetal products;
- The increasing flow of remittances, and consequently, the increase of the population's power of buying;
- The consume sustained by a demand exceeding the offer;
- The relatively low capacity of producing because of the old equipment, lack of competitive technologies and of mobile means available, necessary for respecting the technical norms of production;
- Low competitiveness of local products;
- High level of sensitivity of the country to the oscillation of international economic flows, the high vulnerability to regional crisis;
- The undeveloped agricultural infrastructure;
- The non-formal barriers in the way of export, the excessive number of documents required;
- The progress is compromised by the slow reorientation towards exporting on alternative markets and inefficient governmental policies;
- The deficit was enhanced by the draught.

### Anticipations

On short term, the rates of export increase will be slightly more rapid, but on a long term, unfortunately, there are no essential positive changes anticipated, because the export branches of the national economy do not have sufficient premises for development, and the level of the remittances, the engine of the import growth, does not give any sign of decreasing.

Restarting the wine exports would contribute essentially to an increase of the export volume, but, as the IMF experts say, on the Russian market selling comparable to the volume of 2005 will not occur before 2009.

We can say that the trade deficit is chronic and will continue to rise, respectively, it will be harder and harder to finance it.

### Questions

- What is the share of the Deficit of the Trade Balance in the GDP?
- When will the problem of the deficit of the balance of payments be resolved?

## E 2. Excessive interference of the state into the economy

### Subject

The business environment is over-regulated. The intervention of the state in the economy is not always justified from the point of view of the economic logic, which leads to waste of the public money.

### Description

The intervention of the state in the economy should be determined by the wish to compensate for certain failures of the market mechanism, but in our country, the intervention of the state is motivated mostly by populism, interests, fiscal or legal advantages for the personal business.

At present, we have too much intervention of the state in agriculture, and that is not a logical intervention. The state must not intervene with indications and control upon crops, as it usually does. The types and forms of intervention should be different. For example, to develop the infrastructure – irrigation, storing facilities, manufacturing, trading, access to information, stimulating the cooperation of agricultural producers, so that they will be able to collect larger amounts of production, to commercialize and export the production independently, and last, but not least, to compensate the risks in agriculture.

The attempt of the state to control the prices of some alimentary products, especially bread, does not correspond to the market principles, and the implication of the police to verify if the bread prices were legitimately increased is a ridiculous instrument<sup>1</sup>.

Another unjustified intervention of the state in the economy is the control over the prices of some products of household, alimentary products and industrial goods, brought in the country by physical and juridical persons. This represents a measure that contravenes the principles of World Trade Organization.

On 19<sup>th</sup> of July 2007, the Government approved a monitoring mechanism of prices from the moment of the importation of the goods, until the moment of their commercialization on the internal market. This mechanism has the purpose of tracking down fiscal evasion by undervaluation in the customs of the imported merchandise.

The initiatives of the President are yet another example of groundless intervention in the economy of the country. The fact that these initiatives were in no way coordinated with the businessmen community, which is the target group that will bear the direct effects of these propositions, shows the indifference of the state towards the real necessities of the business environment.

The careless intervention in the economy leads to wasting the financial budgetary resources. The most recent example is the decision of the Government to subsidize the planting of grape vine. As we know that the wine producers face problems in selling the wine and penetrating the external market, the decision of the Government to encourage the increase of the volume of production is also somewhat perplexing.

Supporting the grape growing industry distracts the attention of the state from the industries that have incomparably greater perspectives of growth, but which are characterised by profounder failures on the market<sup>2</sup>.

By announcing a grand program of reconstruction of the social apartments at low prices, reduced by 50% compared to the market prices, the Government will exert pressures on the real estate market and will distort the offer. Some operators, to get back their investments, will be put in the position of revising their sales policy.

### Target group

- Economic agents from the Republic of Moldova;
- Ministry of Economy and Commerce;
- IFPS;
- Customs Service.

### Impact

By its interventions (regulations, subsidies, licenses, taxes, etc.), the state distorts the market. The

<sup>1</sup> Valeriu Prohntichi for Eco Economic Magazine, <http://www.eco.md/article/3871/>

<sup>2</sup> Alexandru Culiuc, [http://www.culiuc.com/archives/2007/08/wine\\_subsidies.phtml](http://www.culiuc.com/archives/2007/08/wine_subsidies.phtml)

support given to specific industries or branches infringes upon the right of the economic agents to a healthy competition on the market. Regulating the prices to alimentary and imported products encroaches upon the basic principles of a free market economy, which affects firstly the economic agents, because they face losses of profit and additional expenditures.

The basic principle of this approach is - the state must get financially and organizationally involved only where the private sector does not manifest any interest, the rest, in the conditions of a developed market, will be provided by the private sector.

## **Dynamics**

The state has always had the tendency to control the activity of the economic agents, for several reasons and in multiple ways. Once the authorities realised that the national economy needs foreign investors and international financial assistance “like the fish needs water”, some measures have been taken towards increasing the transparency, lowering the costs for opening a business in Moldova, protection of competition and market liberalization, but still, this is not enough.

## **Factors**

- Lack of transparency in the elaboration of economic policies;
- Insufficient arguments from the point of view of opportunity costs or even absence of arguments supporting the measures and decisions issued by the state;
- Conferring advantages or facilities, including the exempt of debts, to the state businesses.

## **Anticipations**

As long as the Government will elaborate its decisions and policies without a substantial feasibility analysis, including an analysis of costs for each adopted measure, we will witness some useless or even wrong steps taken by the authorities.

The state will always tend to give fiscal or legal advantages to the state businesses, so it is primordial to monitor these activities, especially by the Agency for the Protection of Competition, which has to be independent and fully functional.

## **Questions**

- What are the real motivations of the state policies?
- In which cases can the state intervene in the economy?
- What are the consequences of a careless involvement of the state in the economy?



## E 3. Inconsiderate agricultural policy

### Subject

For over 17 years, the agriculture is stagnating, and in the year of 2007, it collapsed, registering a decrease by 20%. This state of fact is the result of an inconsiderate agrarian policy and of an unbalanced and inefficient system of subsidies

### Description

The subsidies granted by the Government this year – 450 million lei, are risible compared to what the farmers from the neighbour states get. This is the cause for the appearance of other problems that, practically, induce the un-competitiveness of the agrarian sector. A producer that gets subsidies of 100 lei per hectare can't compete with a foreign producer who has subsidies of one thousand euros per hectare.

The state started to offer subsidies, but, at the same time, introduced the VAT on the import of specific products, including fertilizers, chemicals or agrarian machinery. This is paradoxical, there are compensations offered for purchasing agrarian equipment and, simultaneously, the VAT makes the equipment more expensive, by 20%. As a result, the subsidies cover the VAT, the rise in the price provoked by the state itself.

Another aspect of the problem of subsidies is the great number of institutions involved in the management of the financial resources, a fact that influences the monitoring of the distribution of the subsidies and the evaluation of their impact. In the year 2007, the funds for subsidizing the agrarian producers are managed and administrated by the Ministry of Finance, through the Main state tax inspectorate, the Ministry of Agriculture and Food Industry and the "Moldresurse" State Enterprise. The management of the funds destined to supporting the setting up of grape vine plantations is done by the Agro-industrial Agency Moldova-Vin.

This way, it is necessary to create a single institution of monitoring and evaluation, and also of distribution of the subsidies, because there is a total uncertainty about the enterprises that benefit from the subsidies, and the list of these enterprises, as it is our tradition and reality, is not made public. The impact of the support given by the state upon the activity of these enterprises is also unknown

Although the agriculturists have repeatedly stressed the importance of eliminating the VAT for the export of agricultural goods since it makes the final product more expensive and uncompetitive, the authorities have done quite the opposite by exempting of the VAT and customs duties the import of cereals, flour and bakery products, allegedly to ensure food security, eliminating of the speculative price increase of the wheat and the replenishment of the existing supplies of wheat, flour, bread and bakery products, barley and fodder on the local market. This fact can be interpreted as revenge because the agriculturists were unwilling to sell their wheat for the state reserve which is used by the state enterprise „Franzeluța”.

### Target group

- The Government of the Republic of Moldova;
- The Ministry of Agriculture;
- Agriculturists;
- Manufacturing enterprises.

### Impact

Any economic policy that is not thought through brings waste of public money. In our case the wrong subsidizing will not have the expected effect, and the lack of transparency in the management of this funds increases the suspicions of the population towards the real destination of this money. As a result, the agriculturists are discontent because, before the funds could reach them, they get lost on the way.

Applying VAT to the imported agricultural equipment affects primarily the competitiveness of the products. This way, the agriculturists are discouraged to use new equipment and the productivity per hectare remains very low, even though the soil is fertile.

### Dynamics

Up until the present time, there has not been a clear view upon the priority directions for the economic policy of the state. They were identified and submitted for support according to the conjuncture and goals of certain institutions or groups of interest.

After, at the insistence of the International Monetary Fund, the decision by which the cereal export was to be made exclusively through the Universal Commodity Exchange was annulled, the economic agents started, beginning from September 2006, to export intensively wheat and other cereal products at much more advantageous prices than those on the internal market.

With the instrument of control over the cereal export taken away from it, the Government was about to establish embargo on the wheat export in March 2007, but, luckily for the agrarian producers, this did not happen.

## **Factors**

- The Government's preoccupation with increasing the payments to the state budget, without taking into account the impact of some taxes upon the development of businesses;
- The incapacity of the Government to elaborate coherent economic policies that would serve the public interest.

## **Anticipations**

The subsidies offered at this moment have little effect, almost null. If the investment subsidies will rise to embody 90% of the total subsidies, by the year of 2009, like the Ministry of Agriculture and Alimentary Industry planes it, then some positive results would follow.

## **Questions**

- What are the instruments of the agrarian policy and what should they be?
- How well justified are the measures taken by state in the domain of agriculture?
- What is the difference between an efficient subsidy and an inefficient one?

## E 4. The incapacity of the Government to face the draught

### Subject

The draught of the year 2007 pointed out the incapacity of the Government to respond promptly and efficiently to critical situations, through viable and thought-out economic policies.

### Description

The climatic conditions of the current year have been disastrous for the agriculture, and in this critical situation, the authorities found two ways of intervention. First, the Government “recommended” the producers not to raise the prices for wheat, flour and bread. Secondly, at the indication of the President a state commission has been formed to elaborate a strategy of sustainable development of agriculture, two dubious gags, in the situation where the agricultural sector needed immediate and consistent financial aid<sup>1</sup>.

In 2007, we lacked very much an efficient mechanism of crisis prevention that would have limited the effects of the produced risks. The informing of the agriculturalists about the measures that could be taken to diminish the effects of the drought came too late. Above this, it has been demonstrated and not only once that, in order to resist nature it is necessary to have more irrigable fields, good equipment and sorts of crops that are resistant to draught. In addition, everyone needs to be aware of the necessity of ensuring against the risks of production in agricultural activities, that this is not a caprice but a stringent necessity dictated by economic reasons<sup>2</sup>.

Besides the aid from the international organizations, the state could also undertake additional actions of support for the strata of society most affected by the draught. Among these measures could be the annulment of the taxes for the land, taxes for economic activity in the rural area and the taxes for import of basic foods, in order to facilitate these specific imports. This is a budgetary and fiscal sacrifice, and the Government should consider it, because is the simplest and most direct way to help many people.

The Government created a Subsidy Fund out of which only 10% get to the rural households, the rest go to big firms, inefficient and loss-generating co-operative farms, SRLs, state enterprises.

Investments are necessary to create units of processing of the agricultural production, instating with machinery and agricultural equipment, creating an infrastructure of collecting the agricultural products, starting up multi-annual plantations, units of producing the seed material, etc.

### Target group

- Farmers;
- Population;
- Government of the Republic of Moldova.

### Impact

According to the common evaluations made by the UN for Food and Agriculture and the World Food Program approximately 84% of the arable fields of The Republic of Moldova were affected by the draught, and the cost of the lost production is around 300 million euro, at the market price, only for cereal cultures.

The wheat price has surpassed the historical price ceilings registered until now. The draught compromised over 70% of the cereal crop, and the producers of sugar beet are affected in 30% proportion. The situation of the fruit-growing cultures is relatively good. Only the grape vine has not been affected. In 2007, the harvest of grapes was one of the best in the last decade; over 570 tones of production were gathered.

We also have to take into consideration that the damages caused by the draught had a major bad impact upon the live stock sector, mainly because of the searing of the field and the insufficient forage. The material damage in the pisciculture reached about 50 million lei.

The direct losses endured by the agricultural producers are up to 1 billion USD, but we should also add to that the supplementary costs endured by the connected branches, like the industries of processing meat

<sup>1</sup> “Business & Economy”, No. 22 July 2007, Expert-Group

<sup>2</sup> Viorel Chivriga, economic expert IDIS-Viitorul, for ECO Magazin Economic, December 5<sup>th</sup> 2007.

and milk. The earnings of the rural population suffered the most from the draught. Besides the fact that this category traditionally has a low income, its buying capacity is corroded also by the significant growth of prices, including the prices for alimentary products that cannot be obtained in the rural households<sup>1</sup>.

It is beyond doubt that the losses in the agro-alimentary sector are irretrievable. According to some official estimation, this phenomenon cost the Republic of Moldova about one forth of the GDP. and many specialists affirm that this crisis is even graver than the one in 1946, when Basarabia confronted an unprecedented famine.

## **Dynamics**

The calamities of this year brought to light a wide range of problems from the agrarian domain, problems that have been in a state of suspension for many years. Moldova is affected by the draught, more or less, every second or third year. Among the most serious ones, was the draught in the year of 2000, which brought losses of 2,1 billion lei and the drought in 2003. Unfortunately, no conclusion has been derived from this and it would be a big mistake if some lessons were not learnt from what happened this year. Another year like 2003 or 2007 could be fatal for a great part of the agricultural producers.

In general, agriculture is a sector of reduced profitability, easily affected by the climatic changes, that involves a great volume of human resources. The Government still has not learned to base the necessary infrastructure in the agricultural domain, one that would allow counteracting the effects of unfavourable climatic changes. For example, supporting the farmers in building irrigation networks, creating insurance funds against the risks in agriculture, and so on.

In Moldova, the productivity of the main agricultural cultures does not exceed the level reached in the 60s of the last century. In the condition of massive emigration and depopulation of villages, more and more fields remain fallow because all the costs of agrarian work are rising (the workforce gets expensive), and the productivity remains the same. Instead of taking care to monitor the correct establishing of prices for agricultural products, the Government should concentrate its efforts towards the enhancement of productivity per hectare, a goal that can be reached by mechanization of agricultural labour, subsidizing the agricultural producers to buy new technologies and agricultural machinery. However, the government does the opposite, taking VAT for the import of equipment and technology.

## **Factors**

- The draught;
- Inefficiently managed fund of subsidies in agriculture;
- World prices.

## **Anticipations**

Obviously, the losses and the costs of the draught will reflect on the GDP. The actual growth will be lower than the potential growth.

## **Questions**

- What influence will the losses and additional costs have upon the economy and how will they reflect upon the GDP for the 2007 and 2008 years?
- What will be the total costs of the agriculture crisis?
- How much will the price of bread increase?
- How can the agriculturalists be helped to overcome the crisis?

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<sup>1</sup> "Business & Economy", No. 22 July 2007, Expert-Group.

## E 5. The national industry in recession

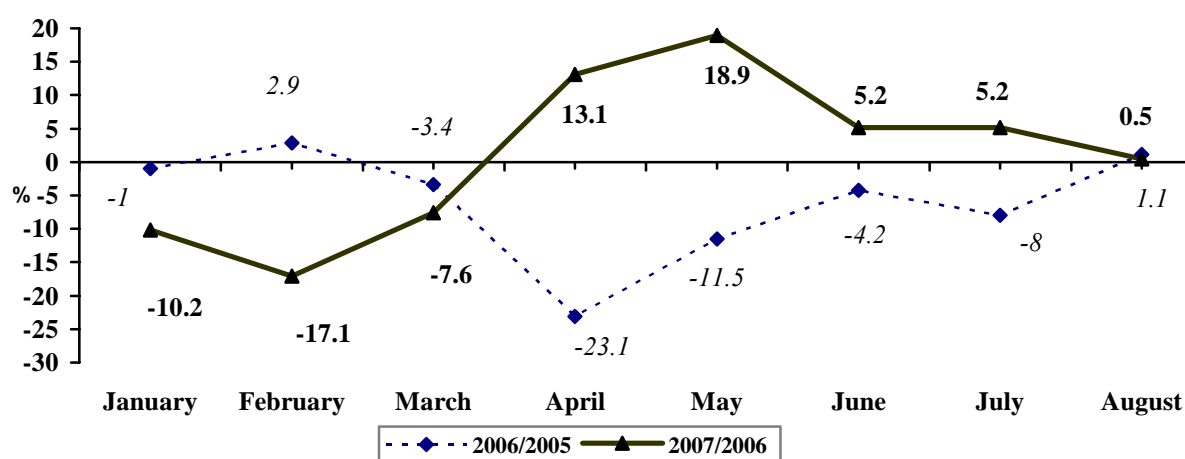
### Subject

For the first time in 6 years, the Moldovan industry registered negative values, in the first trimester of the year 2007. The cumulative growth of the volume of the industrial production in the first ten months of the year is negative, with a 0,7% handicap. This way, the very optimistic prognosis made by the government, of a growth by 8,5% for the year 2007 has failed.

### Description

In April 2007, for the first time in 12 months, the growth of the production was positive comparing to April 2006. This is explained by the termination of the stocks of recession in the winemaking sector and reabsorbing of the crisis in the economy, as well as by the rapid advancement of some branches that were not affected by the crisis of the trade relations with the Russian Federation<sup>1</sup>.

**Monthly evolution of the volume of industrial production in comparable prices**  
(last year average), percentage modifications compared to the respective month of last year.



Source: National Bureau of Statistics

The situation of the industrial sector is mainly determined by the activity of enterprises from the processing industry, that embodied 89% (in comparable prices) from the total volume of production obtained by big enterprises with main industrial activities. These enterprises had a volume of production of 10119,9 mil. lei, more by 0,7% compared to the same period last year.

The main breaks are the branches of wine and alcohol production, where the production is 4 and, 3 respectively, times lower, than in January-July 2005<sup>2</sup>.

Also free falling are the tobacco industry, the garment industry, wood processing and machine construction. The food industry partially compensated these malformations, mainly due to the branch of meat processing. The lactate industry and that of vegetal conserves remained on a positive bent, but the producers already encountered the problem of price appreciation and deficit of raw material<sup>3</sup>.

The main branches that contributed to the sector coming out of recession are meat-processing, garment, soft drinks, paper and polygraphy industries<sup>4</sup>.

The draught that compromised the crops of the 2007 year has had a series of consequences, some paradoxical, upon some branches of the food industry. Bizarrely, the meat industry has not been affected by the draught, since because of financial problems; the producers from the live stock industry had to sacrifice

<sup>1</sup> "Business and Economy", Nr. 20, May 2007, Expert - Group.

<sup>2</sup> "Business and Economy", Nr. 23, September 2007, Expert-Group

<sup>3</sup> "Business and Economy", Nr. 24, October 2007, Expert - Group

<sup>4</sup> „Business & Economy”, No. 22 July 2007, Expert-Group

massively the animals. However, the branches that make lactate products, fruit and vegetable conserves and tobacco products suffer because of the deficit of raw material<sup>1</sup>.

An evolution that has been less observed until now, but which becomes more and more visible is the accelerated growth of the industry of apparatuses and instruments of precision. Over the last few years, this has been the destination for important foreign investments<sup>2</sup>.

## Target group

- Autochthon producers;
- Local and foreign investors;
- Ministry of Economy and Commerce;
- Ministry Industry and Infrastructure.

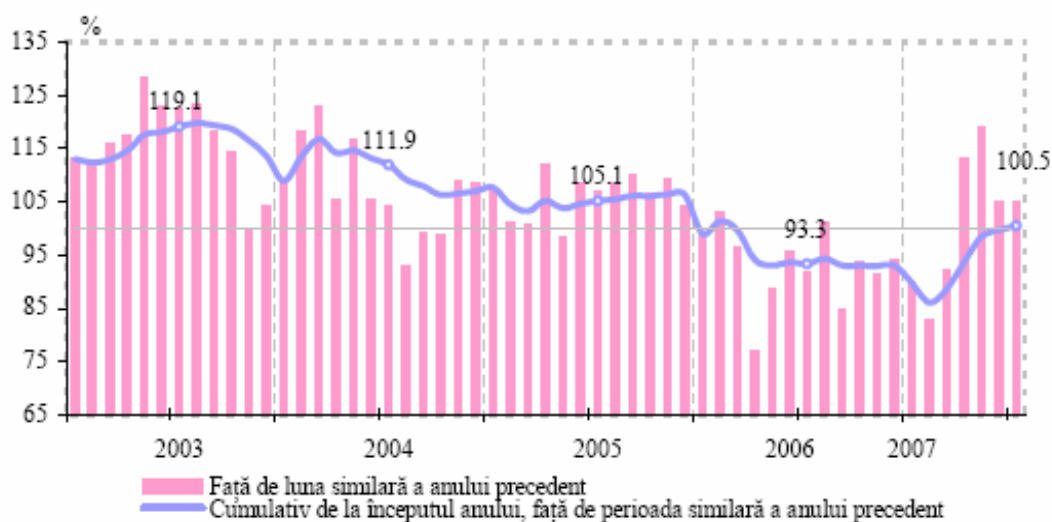
## Impact

It is obvious that the recession of the economy will be reflected in GDP especially in its growth. In 2006, for example, the negative impact of the decline of the national economy had been felt over the economic growth that decreased from 7% to 3%.

Another unfavourable consequence in the production sector is the decrease of salaries in a few branches and large enterprises of this field. The industrial recession has determined some significant structural changes in the domain. The most important change was the reducing of the rate of producing alcohol beverages in the total of the industrial production from 15% in June 2006 to 8% in June 2007. Although the crisis of commercial relationship with Russia had not affected them directly, two important branches the tobacco industry and the machine and equipment industry have faced an extensive stagnation<sup>3</sup>.

## Dynamics

**The rhythm of real growth of industrial production**



Source: *The monthly bulletin of the National Bank of Moldova, nr.7 July 2007*

From the above graphic, we can observe that the rhythm of growth of the industrial production was continually falling starting with 2003, except the year of 2005, when a rise was registered.

The decrease of the volume of production by 6,9% in 2006 compared to 2005 was determined by the diminishing by 2 times of the wine production that holds a quota of 10% in the industrial production of the country.

<sup>1</sup> Business & Economy”, No. 23 September 2007, Expert-Group

<sup>2</sup> Business & Economy”, No. 22 July 2007, Expert-Group

<sup>3</sup> Business & Economy”, No. 22 July 2007, Expert-Group

According to the National Bureau of Statistics, the wine crisis also infected the paper and cardboard production (-9%), also that of glass and wares made from glass (-6%) in 2006.

According to the official statistic, in January-October 2007, the industrial enterprises of all forms of property have produced merchandise of over 21,1 billion lei value (1,8 billion USD), in current prices. The diminishing of the volume of industrial production, comparing to January-October 2006, was determined by the reducing of the volume of wine production by 34,2%, of sugar by 53,3%, diminishing of the distilled alcohol beverages production by 31,7% and of tobacco products by 9,5%. More than that, the production volume of the enterprises from the food and drink industries over all diminished 7,6%. The Moldovan Industry dropped last year by almost 7%, also due to the Russian embargo imposed upon the exports of domestic wine products.

## **Factors**

- The crisis generated by the external market, especially the major dependency upon the Russian Federation marketplace and the restrictions imposed upon the Moldovan wines in 2006;
- The low competitiveness of the domestic industrial production (the problem of standards and quality);
- The absence of raw material resources for the industrial production;
- The wine crisis that made the winemakers to stop the producing activities;
- The decrease of the volume of production in other branches, affected by the wine blockade;
- Modest investments in the production sector;
- Pessimist prognosis for the agricultural production this year, which will stop the process of economic growth.

## **Anticipations**

It is difficult to anticipate the growth of the industrial sector, when during the year 2007 the industry registered negative values. In 2008, the real sector of the economy could reach a rise of 2-3% if the domestic producers reorient towards the branches and sectors with higher productivity. A stimulus for that could be the extension of exporting on the European market after the signing of the agreement of autonomous additional trade preferences.

The industry will partially recover, especially that of alcoholic beverages, it will recover relatively but surely not at the same level of production from 2005. The recovery of the whole volume of wine production will be impossible.

The service sector will continue to compensate the recession in agriculture and the moderate evolutions of the industry.

Due to the fact that the influence and the effects of the external shocks that caused the industrial crisis are not yet consumed, and the state investments in this sector remain insignificant, the reanimation of the national industry to the level of production reached at the end of 2005 (in comparable prices) is impossible in 2008.

## **Questions**

- What are the branches of the economy, including the industry, that require and can be stimulated by the state?
- How can the negative impact of the wine crisis upon the industry be diminished?
- How can the competitiveness of the local products be enhanced?
- What measures must be taken in order to attract direct foreign investments in the production sector?

## E 6. The wine industry in decline

### Subject

In 2007, the effects of the embargo established by the Russian Federation upon Moldova wines continue to be felt, the wine industry – traditional branch of the national economy, is in free fall.

### Description

During the year 2007, the wine sector was afflicted by a series of events, speculations and even a war of declarations, widely covered by the Moldovan media.

On 9<sup>th</sup> of October 2007, the export of wine to the Russian Federation was permitted, but the problems afferent to this crisis do not come to an end here, not even close. On the contrary, the problematic commercial relations with Russia have brought to light a series of systemic deficiencies of the national industry and especially the incapacity of the local wine producers to win/compete on the international markets.

The intentional delaying of the process of resuming the wine export, by the authorities of the Russian Federation, beside the loss of bilateral trade preferences with Romania (which led to the decrease of wine export to Romania by 4,6 times), and the temporary stopping of the export of bulk wine to Belarus, have been conditions of the decrease of total wine-products export by 50 million USD, during January-August, and that is 2 times less than the same period last year.

The winemakers have suffered losses that cannot be reimbursed, they stopped the production process, accumulated immense stocks, and are not able to repay their debts to the banks because of the drastic reducing of their income, and some enterprises are on the verge of bankruptcy.

One of the causes for this problem consisted in the fact that, a great amount of wine was exported bulk, which does not allow quality control and trademark promotion, needless to say the great risk for the wine to be falsified.

It has been ascertained that the wines that got on the Russian consumer's table were not always of good quality.

### Target group

- Wine producers and viticulturists;
- The Government of the Republic of Moldova;
- Rospotrebnadzor;
- Association „Moldova - Wine”;
- Consumers of Moldovan wine in Russia;
- Producers of bottles, corks, wrapping.

### Impact

The impact of the wine crisis is mostly negative. The losses of the winemaking enterprises from the Republic of Moldova, as a result of Russian embargo constitute about \$180mln. According to the Agency “Moldova-Wine”, that's approximately the cost of the alcoholic products that remained in stocks or were destroyed in Russia. Still, the loss of income afferent to this embargo is, considerably of course, bigger. The crisis affected the general growth of economy, created a condition for the industry decline, and contributed to the deepening of the trade deficit.

### Dynamics

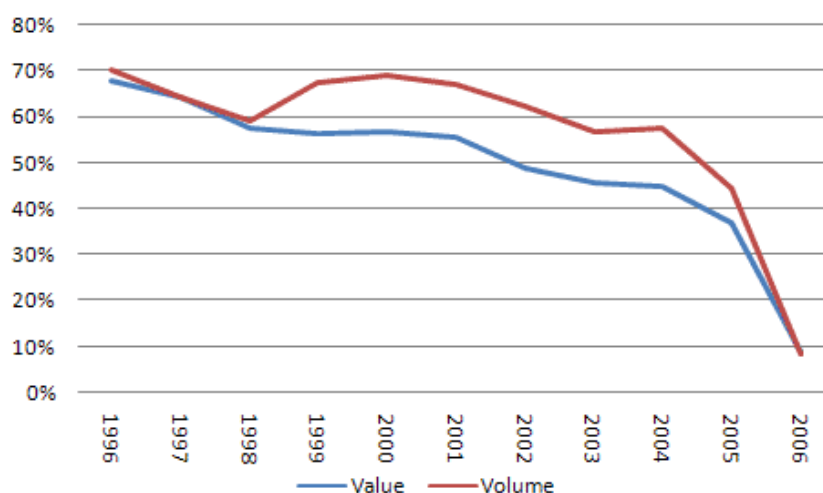
On 27<sup>th</sup> of March 2006 the wine export from the Republic of Moldova to the Russian Federation was officially interdicted, upon the reason that pesticides and heavy metals were discovered in our wines. Almost 2 years passed since the Moldovan winemakers have lost their main marketplace. After numerous inspections, the Moldovan side still hasn't obtained any expertise deductions from "Rospotrebnadzor" referring to the degree by which all the denigrating evaluations of the Moldovan wine production are dictated by someone's mercantile interests and in which cases there are laboratory results about corresponding to standards.



All these actions confirm the political nature of these interdictions upon the Moldovan exports, and this fact implies a great degree of uncertainty referring to the evolution of commercial relations with the Russian Federation in perspective.

It is ascertained that Moldova's quota on the Russian wine market has been continually decreasing since 1996.

**Moldova's share on the Russian wine market**



*Source: Calculated by Alexandru Culiuc<sup>1</sup> based upon the UN ComTrade data.*

This tendency reflects the predilection of Russian consumers for other wines and a change in their tastes.

So, the winemakers and the Moldovan authorities should have undertaken measures in this direction long before the embargo, immediately after they observed that they are losing ground on the Russian wine market, measures to reorient the export directions, and also to win a new segment of the market – that of high-quality wines.

## Factors

- The incapacity of the wine enterprises to promote their products on the external markets;
- Lack of a qualitative marketing inside the winemaking companies;
- Artificially created barriers by "Rospotrebnadzor" in the way of the returning of the Moldovan wine production on the Russian market;
- Personal economic interests of the leaders of "Rospotrebnadzor". One of Oniscenko's adjuncts is the president of the Association of the Participants to the Russian wine market /Non-commercial Association "Aura";
- Reorientation of the tastes of Russian consumers towards other wines;
- Reducing of the wine consume level on the international market;
- Lack of collaboration between the winemakers and the authorities;
- Imperfect legislation.

## Anticipations

Reaching of the export level from 2005 is improbable in the future 2-3 years. First, Moldova has to conquer a new segment of the Russian market, that of "the wines of good quality at higher prices". Secondly, consumer preferences have been reorienting towards wine from other countries for a long time (see the above chart). We can say that in the past, a segment of consumers was buying Moldovan wines out of inertia. However, with the disappearance (even temporary) of Moldovan wines, this segment has no other option

<sup>1</sup>[http://www.culiuc.com/archives/2007/08/wine\\_subsidies.phtml](http://www.culiuc.com/archives/2007/08/wine_subsidies.phtml)

than trying new wines, which will accelerate the process of preference change. In other words, it is improbable that Moldova could regain more than 20-25% of the Russian wine market. Even the regaining of a small portion of the market requires a brand repositioning and will have enormous costs for advertising, promotion and public communication. But, in the last years, the image of the Moldovan wine on the Russian market has been almost irremediably compromised<sup>1</sup>.

As a consequence, the perspectives of regaining the lost segment of the market and of reimbursing the expenditures suffered through the wine crisis are gloomy. More than that, at an international level, consumption of wine has stabilised, and Europe leads a policy of reduction of the wine production.

In order to conquer new marketplaces and regain the old ones, it is necessary, first, to launch a branding campaign of the country, very well-thought and oriented towards the consumers of high-quality wine. In other words, the branding has to emphasise on „Wine made in Moldova”.

## Questions

- Who has something to win from the stopping of the export of Moldovan wines on the Russian market?
- What are the total costs and the financial impact of the wine crisis?
- What can the central authorities do to re-establish the situation of winemakers?

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<sup>1</sup> [http://www.culiuc.com/archives/2007/08/wine\\_subsidies.phtml](http://www.culiuc.com/archives/2007/08/wine_subsidies.phtml)

## E 7. The National Bank of Moldova between the hammer and the anvil

### Subject

The National Bank of Moldova needs to withdraw the excess of currency from the market in order to reduce the pressure of the appreciation of the leu on one hand, and on another hand - to withdraw lei from circulation (a process called sterilization) in order to stop the inflation process. These measures of macroeconomic stabilization cost the National Bank of Moldova around 30 mil. USD every year.

### Description

We have an economy that is practically dead and non-functional, that cannot assimilate all the volume of foreign currency that enters the country and this leads to the appreciation of the leu. The situation is the more dramatic since the local producers cannot satisfy the aggregate demand of consumers supported by the remittances of the approximately 600 thousand Moldovan citizens working abroad.

To make our economy competitive externally, the rate of exchange of the leu compared to the dollar should be, at present, no less than 18 lei per dollar. Any appreciation of the leu means promoting the imports and total discouragement of exports<sup>1</sup>. The importers have an advantage, because they will buy currency on the local market at a better exchange rate than three months ago. Usually, export operations are denominated in foreign currency. Respectively, the appreciation of national currency by one ban provokes losses of 10 mil. lei for the exporters.

We import 2,7 times more than we export.<sup>2</sup> From January until now, the imports in the Republic of Moldova have increased by almost 40% compared to the same period last year. This situation does not exist in any other European country. This way, we destroy the national economy and reduce the number of possible work places.

We should take into account that a strong leu is not appealing to either the exporters, or the Government, because it affects the external competitiveness of the economy. At the same time, if the leu appreciates, the Government is still at advantage, because it buys energetic agents, like the natural gas, at a price established in dollars and it pays back the external debt in foreign currency.

Because of disinformation, the population perceives the currency fluctuations hysterically, like symptoms of economic instability. Our society thinks that the situation is truly critical and starts to invest in different consumer goods. This leads to the rising of prices, which convinces even more the people about the creation of negative circumstances of a possible crisis. This chain can continue up to provoking an economic collapse.

### Target group

- Citizens who have deposits in banks;
- Commercial banks;
- The National Bank of Moldova (NBM);
- The Ministry of Economy and Commerce;
- Exporters and importers.

### Impact

The appreciation of the leu affects directly the average people, especially those who get their salaries in foreign currency, or at least get them nominated in foreign currency. Obviously, they lose because of the exchange to lei. An excessive appreciation of the national currency could prejudice the exporters, and they already face some hard times. This could be considered a consequence of the strong increase of imports, thus a greater accentuation of the lack of equilibrium in the commercial balance (the trade deficit reached 1,6 billion USD during the first 9 months of 2007). A direct consequence of the monetary restrictive policy led

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<sup>1</sup> What are the effects of the appreciation of the Moldovan leu? BBC Romanian, 8th August 2007, [http://www.bbc.co.uk/romanian/news/story/2007/08/070808\\_moldova\\_leu\\_apreciere.shtml](http://www.bbc.co.uk/romanian/news/story/2007/08/070808_moldova_leu_apreciere.shtml)

<sup>2</sup> Bureau of Statistics „Operational information upon the social and economic evolution in January-August 2007”

by the National Bank of Moldova is the rise of the credit price, on the account of the rising of interest rates for the loans in national currency. Moldova not only has the higher interest rate of monetary policy in Europe, but also the biggest minimum reserves imposed for the banks, and this situation is significantly contributing to maintaining a high level of the loaning costs.

## Dynamics

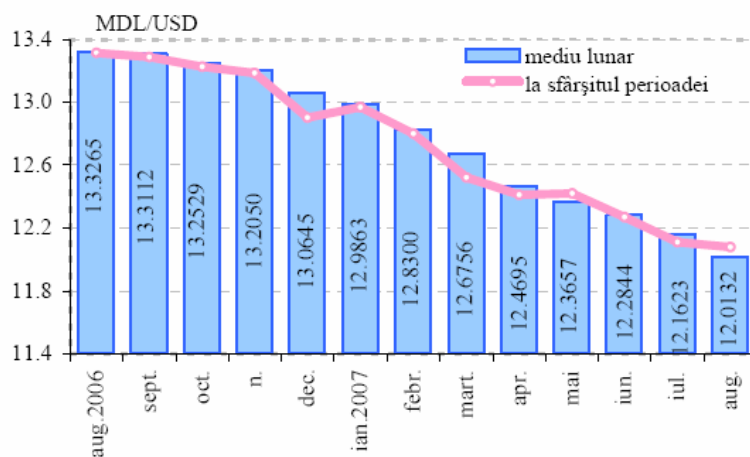
Since 2000 until now, the prices have doubled, and the dollar, which was 12 lei in 2000, remained the same, maybe even lower. This means that at present, the population that receives money from abroad buys with one hundred dollars two times less merchandise than they used to five years ago.

After a break of almost two years, in 2007 the National Bank of Moldova was imposed to intervene on the monetary market, buying over 200 mil. USD, in order to stop the massive appreciation of the national currency.

On 8<sup>th</sup> of August 2007, for the first time in a long time, the American dollar, a currency to which the whole state of the Republic of Moldova appertains is bought with less then 12 lei.

In the diagram below, you can see the tendency of the leu to appreciate, starting with August 2006.

Exchange rate MDL/USD



Source: The National Bank of Moldova Bulletin, August 2007

The purchases (currency selling by the population) at the exchange points, that have an overwhelming proportion, have almost doubled. In February 2005, the monthly sales of currency were about 140 mil. USD, in February 2007, they reached 260 million. This way, the tendency to appreciate was accentuated by the population, trying to get rid of the foreign currency.

## Factors

- The evolution of the couple euro-dollar on international markets, considering the fact that the local market is dependant on the exterior one;
- The local monetary market is still relatively small and has low liquidity;
- The currency transfers of those working abroad.

## Anticipations

Anticipations, in this domain, are not at all optimistic. The economy is already over-heated, and in this kind of environment, any change of attitude from the investors and a visible drain of capital can put pressure upon the exchange rates. Respectively, a sudden depreciation of the leu would affect the capacity of reimbursing of those who took loans in foreign currency – and their number is not small.

The leu could continue to appreciate. The entrance of capital, as well as the population that keep their savings in foreign currency could contribute to that. The growth of the leu could be supported by the great purchases at private or bank exchange points. That is where the money of those who work abroad is, and the money from the sales of real estate.

There is the risk that not only the exporters, but also the other internal producers may not be able to stand the appreciation of the leu and the imports, cheaper and cheaper that invade the internal market. In spite of the increasing currency influx, the current account is getting worse, in relative terms. This could create strong pressure on the Moldovan leu in the future that would not be compensated by influxes of foreign currency. In other words, the depreciation of national currency on a long term is more probable than its significant appreciation towards the American dollar.

### Questions

- What should the “equitable” exchange rates be for importers and exporters?
- What are the mechanisms to fight the appreciation of the leu?
- How could the National Bank diminish the negative effects of this problem and prevent?

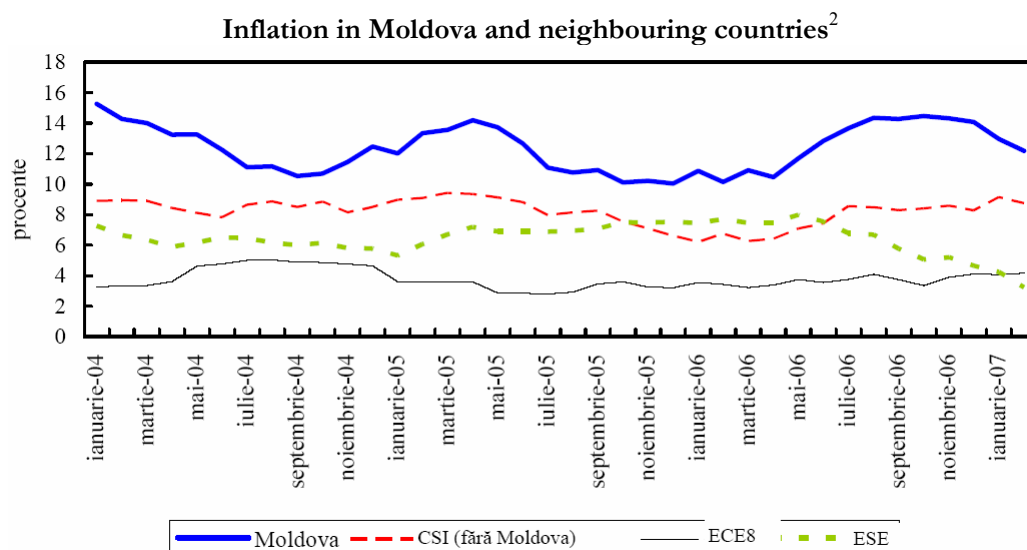
## E 8. The inflation – factor of reduction of the economic growth

### Subject

The official rate of inflation in 2006 was of 14%, and for 2007, the Government promised a level under 10%, which turned out to be impossible. Cumulatively, for the last 11 months of 2007 the index of the consumer price has risen by 12,1% compared to December 2006<sup>1</sup>.

### Description

The growth of prices represents a global problem, present not just in CSI, but also in the European Union, but even so, in Moldova, the inflation rate exceeds the average of the neighbouring countries.



*Note: CSI, except Turkmenistan, Uzbekistan and Tajikistan*

*ECE8 includes The Czech Republic, Hungary, Poland, Slovakia, Slovenia and the Baltic countries.*

*ESE includes Romania, Bulgaria, Macedonia, Serbia, Montenegro and Croatia*

The rise of prices in October has definitely shattered the goal of inflation below 10%. The cumulative inflation for the year 2007 reached, in August, the level of 9%, and compared to August 2006 it constituted 13,5%, including la food products – 17,0 %, and for non-alimentary goods – 12,0% and - 11,2 % for services offered to the population.

According to the theory of Milton Friedman, the inflation is, always and everywhere, a monetary phenomenon.

This way, BNM sterilises the excess of liquidity, by auctioning to the commercial banks value coupons (BNM certificates) with terms of 7, 14 and 28 days. For example, at the auction on 2<sup>nd</sup> of September, the interest rate offered by BNM for the certificates constituted 15,8%, which is quite high. The higher the sterilization rate, the higher the losses suffered by BNM. The rate must be high enough to attract the banks to buy this certificates, this way reducing the volume of lei in circulation. Although BNM has put much effort into stopping this process in the Republic of Moldova and uses all the available mechanisms, the central bank has already registered losses of 700 million lei and will not be able to obtain a profit to pay contributions to the budget. Mr Leonid Talmaci confessed that this year it would be difficult to “reach the inflation rate negotiated with IMF”. To maintain the annual level of inflation below 10%, we should increase the base rate up to 25%, but this is impossible.

### Target group

- National Bank of Moldova;

<sup>1</sup> National Bureau of Statistics, <http://unimedia.md/index.php?mod=home&hmod=newsbyid&id=3006>

<sup>2</sup> Country Report of IMF nr. 07/275, August, 2007

- Population;
- Economic Agents.

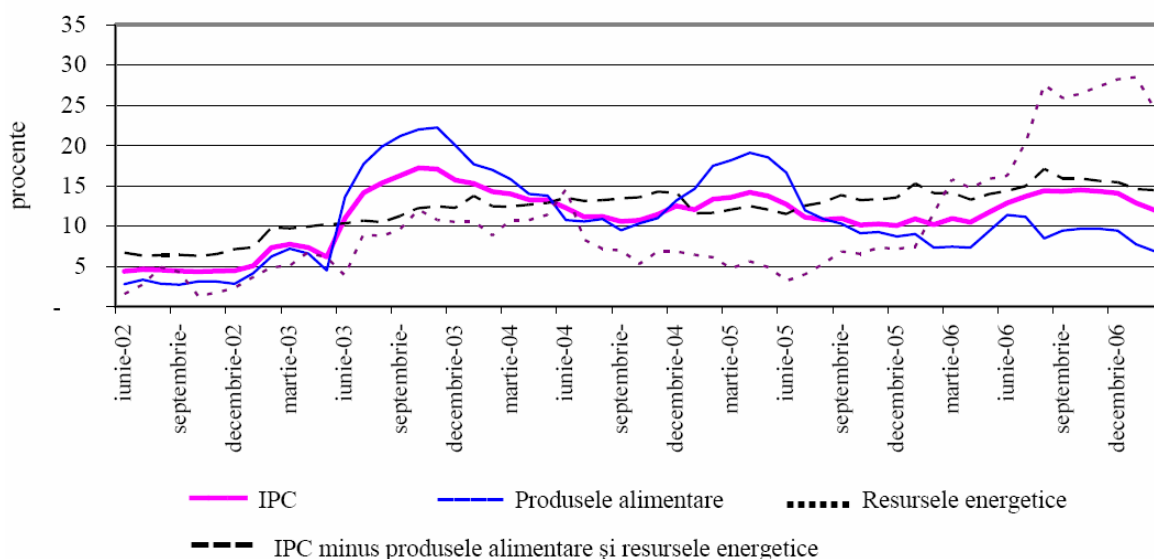
## Impact

The high level of inflation negatively affects all the spheres of activity and all the social layers. A high level of inflation increases the degree of uncertainty of the profits to be received. Therefore, the risk of not reimbursing or late reimbursing of investments increases. High inflation, correlated with the appreciation of the national currency, negatively affects the competitiveness of economic agents and leads to the reducing of economy growth.

## Dynamics

If earlier we had a significant inflation, generated by the great influx of foreign currency, then in the present we have an inflation generated by the costs. Inflation goes up due to the rising costs of resources, especially energetic ones, as we can see in the diagram below.

**Dynamics of the inflation rate 2002-2006<sup>1</sup>**



An important factor that perturbed the balance of the economy was the noxious practice of the Government to borrow directly from BNM. According to the memorandum settled between the Government and IMF in 2006, borrowing money from BNM is not allowed, starting with September 2006, but there is a lack of equilibrium of the existing debts. By the recommendation of IDIS experts, in the Memorandum between IMF and the Government was introduced the obligation of the Government to convert its debt to BNM in value coupons issued by the state. This measure will serve in 2008 as an additional instrument to stop the rising of prices and the volatility of financial markets in Moldova. Maintaining the level of prices, or fighting the inflation, was established by the National Bank as a main objective. The National Bank, respectively, resorted to the massive sterilization of the excess of foreign currency on the market. At the end of September, The Administrative Council of BNM decided to increase the basic interest rate from 13,5% to 16%. Such a high increase of the basic interest rate has not been encountered in the last 7 years. In spite of these measures, it is already improbable for the index of consumer prices to rise in the limits intended by the BNM. The factors that determined the inflation explosion from July-September 2007 are the strong monetary influxes and the growth of consumer demand, financed, in particular, by bank credits. These factors will not disappear in the near future, because many of them are beyond the control of BNM. Another instrument of fighting the inflation will be the one implemented by BNM in partnership with IMF: inflation targeting. This instrument requires transparency and systemic communication between BNM and the society, a better understanding of economic realities and phenomenon, identifying the optimal instruments of

<sup>1</sup> Country report of IMF nr.07/275, August, 2007

intervention and determining of the cost. This way, we will be able to know how much does it cost to reduce by one percent the inflation rate and there will be an option, if some financial programs are worth implementing and some are not. According to the estimations of IDIS, reducing the inflation by one percent will cost, corresponding with today's realities, around 100-150 mil. lei.

## Factors

- The increase of the prices for cereal and energy resources on the international market directly affected the prices on the internal market;
- The growth of salaries increases populations consume and power of buying;
- The increase of the price for electric energy delivery from Ukraine determined the increase of tariffs for electrical energy consume;
- The draught faced by the agriculture did not allow the reducing of prices for agricultural products in the summer season;
- Import of fuel makes the prices on the internal market to depend directly upon the evolutions on the international market.

## Anticipations

Except the effort made by BNM, there are no other factors that would indicate a possible reducing of the rhythm of rising of prices. For this reason, we are predisposed to believe that in the first trimester of the year, the rising of prices was diminished artificially by at least one percentage point. That is why we expect that in 2007 the situation from 2005 will repeat itself, than the declared inflation did not correspond with the real inflation, two official documents presented different rates of the growing of prices<sup>1</sup>.

Thus, we expect an inflation of about 13,5% for the next year. The International Monetary Fund is predicting an inflation of 14-17% until the end of the current year<sup>2</sup>.

In 2008, the inflationist premises will remain significant, the greatest pressure upon inflation being made by the prices for energy resources. The price for the energy imported from Ukraine is expected to increase next year, up to 5 cent for 1kw/hour.

Another factor that will support the inflation pressure in 2007 is the gradual increase of salaries in the budgetary sector. Even so, the new instrument of monetary policy focused on targeting the inflation could have positive results, thus, we anticipate an inflation of 11% in 2008.

## Questions

- Are the main factors that determine inflation of monetary nature or not?
- What are the optimal and most efficient instruments and mechanisms to reduce inflation?

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<sup>1</sup> According to National Bureau of Statistics, the CPI for 2005 recorded a 10% growth. National Bureau of Statistics *Indicii prețurilor de consum al populației //Monitorul Oficial 9-12/31*,

<sup>2</sup> The IMF expects a slowdown in the economic growth pace, ECO Economic Magazine, 20 November 2007, <http://www.eco.md/article/4615/>



## E 9. State budget based on consumption

### Subject

The problem of the state budget consists in the fact that it is separated from the real economy and is mainly formed by the consumption income.

### Description

In the Republic of Moldova, the state budget is 65% assured by the VAT. If we add other indirect taxes and the taxes on the imported goods, we can deduce that approximately 80% of the state budget is formed by consumption. Through this mechanism, the state budget is separated from the real economy. Over the last 3 years, the rhythm of growth of the income from VAT, the main source of budgetary revenues, constituted 92-93%. If a rapid solution is not found, after 2008, this phenomenon could become critical. The structure of the budget discourages the Government from stimulating the exports because, the more imports, the more payments into the budget. Introducing a zero quota for the income taxes from juridical persons, although late, seems to be a measure that will have positive effects in 2008, the year when the document becomes active. The possible failures to collect money from these taxes could be covered by cashing from other effects of this law. The additional income cashed in could surpass 200 mil. lei.

The state budget is centred only on the consumption income. However, this consumption is created not by the internal economy, but by the external one. In other words, our budget depends very much upon what is happening to our citizens abroad. Even though the state can influence the development of industry, economy, and agriculture, the consumption is harder to control through governmental instruments and means. The high level of consumption does not have to be negatively interpreted; the problem consists in the handicap of the national economy, incapable of satisfying the consumer demand.

### Target group

- The budgetary sector;
- The Ministry of Economy and Commerce;
- The National Bank of Moldova.

### Impact

Although the state budget is successfully performing, it does not have sustainability and is very vulnerable. It is sufficient for the population to decrease the consumption by 20%, and the state budget will decrease by 17%, which would be a catastrophe for the latter. Even if the income of the population continues to increase, the consumption can still reduce; needless to say the remittance volume could also become lower. The immediate impact of this problem is insignificant, but on a long term, this situation could transform into a budgetary crisis.

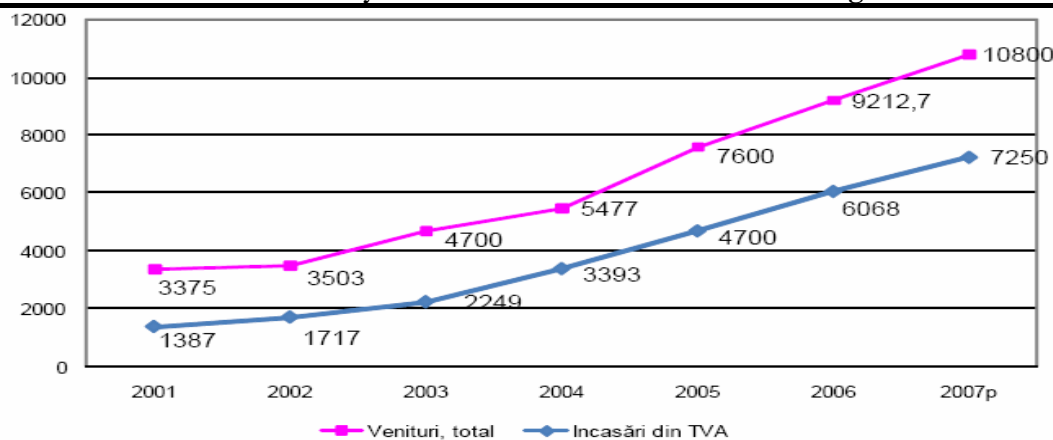
### Dynamics

Every year, Moldova registers a paradox – the budget increases, but the people live harder. The budget for 2008 is the biggest budget Moldova has had until now, but not even one tenth of those over 2 billion of additional income comes from economic growth. The greatest part of this growth is due to the VAT applied to imports, just in the period 2004-2006 the cashing from VAT have grown by 1,8 times.

This way, starting with 2003 the main source that supported the growth of budgetary cashing was and remains to be the revenue tax. This one has raised its share in the total of budgetary revenues from 49% in 2002, to 67% in 2007, as we can see in the chart below. The biggest increases of cashing from VAT have taken place in 2003-2004, a period when the capacity of payment of the central authorities has changed essentially. Starting with 2005, the cashing from VAT have a growth rhythm constantly negative, at a level of 92-93%, which is acceptable only for a period of 3-4 years, if we take into account the high level from where the trend started.

After 2008, if there is not a new conception of country development, which would ensure the state budget with revenues, we will enter a zone of higher risk, because the cashing from taxes will not satisfy the minimal necessities of public expenditures.

**The dynamic of the revenues of the state budget**



Source: *The Law of the state budget for 2001-2007; CPE experts' prognosis*

## Factors

- The consumption is supported by remittances, so the state budget depends on external factors;
- The Government is preoccupied to increase the cashing in the state budget without supporting the sector of real economy;
- The incapacity of the domestic producers to satisfy the increasing consumer demand and this encourages import and increases cashing in the budget.

## Anticipations

In the next 2 years, the rhythm of growth of cashing from VAT will slow down, without a strong negative impact upon the budget.

The lost cashing from the revenue tax for juridical persons for 2008 rise up to 1,2 billion lei. These losses can be compensated in proportion of 115% if the following action is undertaken: stimulating the economic agents to declare transparently their obtained revenues. As a consequence, the declared profit can increase by 50% compared to the normal evolution. So, instead of 8 billion lei of declared profit, we can have up to 12 billion lei. If 30% of the profit is used to pay the dividends, than the cashing from the revenue tax of juridical persons will be of 600 million lei, or half of the expected sum. Because of the possible reduction of dark economy, the additional cashing from other taxes will constitute at least 800 million lei. Only by not collecting taxes for the reinvested capital (4 billion lei brought out of inactivity) will bring immediate revenue in the form of VAT and customs taxes reaching 600 mil. lei.

We can affirm that a transparent policy, coherent and assisted by a wide coverage by the media of the new system of taxes for juridical persons, could have a positive effect on the state budget of 2008-2012. Later, it will be required to find another solution.

There is a real possibility that the rhythm of growth of the budgetary revenues, registered in 2006-2007, to be stopped in 2008 and for us to witness a strong decrease of budgetary cashing.

## Questions

- What is the main source of revenue in the state budget?
- How can the state budget be consolidated?
- Why is the state budget not affected by the industry recession and agriculture decline?

## E 10. Remittances- the diagnosis of a deplorable economic situation

### Subject

„Swept” by a migration wave, which led abroad approx. ¼ of the economically active population of the country, Moldova is the first in the world at the share that the remittances have in the GDP, with a quota of 36,2%<sup>1</sup>. Until present times, the Government did not treat the problem of migration and remittances in an integrated and ample approach, and didn't include them in its economic policy.

### Description

The remittances transferred through banks in 2006 reached 1,17 billion USD, which represents 35% of the GDP. In the first ten months of 2007, the remittance volume has constituted 972,21 mil. USD. Obviously, the ideal solution would be the orientation of the remittances into investments, but in reality, the remittances are almost exclusively oriented toward consume. Can the state change this situation?

These monetary fluxes are private and, de facto, uncontrollable by the state. The state cannot impose the beneficiaries to invest against their will, and the fact that the remittances are almost exclusively oriented toward consume is a normal phenomenon. They finance the satisfaction of basic needs (food, accommodation, clothes)<sup>2</sup>.

What the state can do is healing the national economy of structural and other kinds of imperfections, support the national producers to make them capable of responding to the increasing consumer demand. The remittances will be attracted in the productive sector by the same factors that determine the entrance of any capital – favourable climate for investments.

### Target group

- The Moldovan workers from abroad that send money home;
- The families of the migrants;
- The potential migrants;
- The Government of the Republic of Moldova.

### Dynamics

Over the last years, the volume of income remitted by the Moldovan migrants has strongly increased. It seems that 2007 will not be an exception. Just during the first trimester the money transfers from abroad made by physical persons through commercial banks totalized 209,77 mil. USD, almost 29% more than the entries in the first trimester of the precedent year. At the same time, the value of these remittances is equivalent to 77,5% of the value of Moldovan exports during the first trimester this year, an extraordinary figure in compared to our region.

This way, contrary to expectations, the volume of remittances maintains its strong rhythm of growth. This evolution can be explained by the increase of the number of migrants, their legalization, the increase of the retributions cashed by them and the proliferation of rapid systems of bank transfers.

Instead of policies meant to attract the great flux of remittances to investment activities, the state punishes those who invested the money coming from remittances. These persons have to pay 5% of the value of the goods they possess by the procedure of legalizing the capital. In the absence of a tax policy for the revenues generated by remittances, it is hard to imagine how the physical persons could be forced to declare the properties they possess legally.

### Impact

The remittances have positive as well as negative consequences, as we can see in the diagram below. In general, the remittances of migrants have had a good impact upon the evolution of the Moldovan economy until now. The money from remittances is spent partially for goods of final consume and on services, which

<sup>1</sup> See the World Bank report "Remittance Trends 2007"

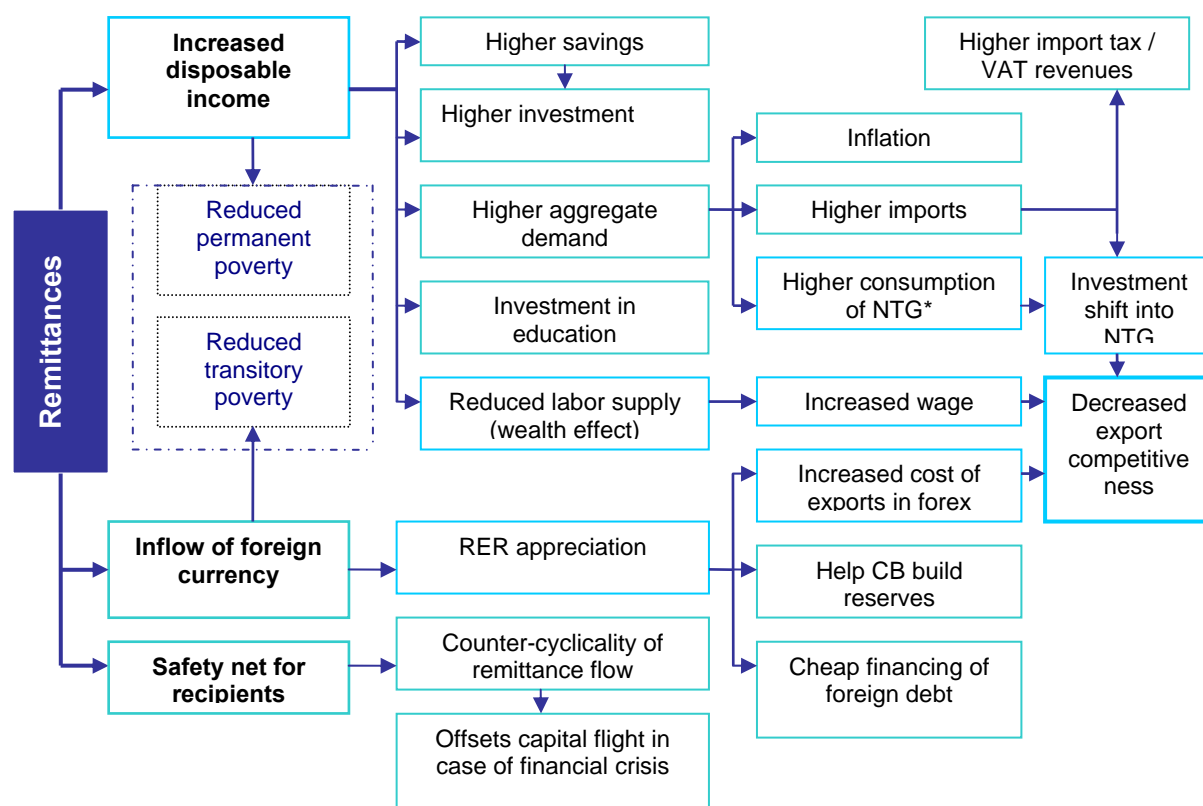
<http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/BriefingNote3.pdf>

<sup>2</sup> Productive use of remittances, see [http://www.culiuc.com/archives/2007/11/logos\\_dutch\\_disease.phtml](http://www.culiuc.com/archives/2007/11/logos_dutch_disease.phtml)

fuels the increase of inflation and of the aggregate internal demand.

The offer of foreign currency in the form of remittances contributes to the appreciation of the national currency, accompanied by the deterioration of the current account. The remittances affect the economic dynamic and performance negatively only by the mechanism of appreciation of the leu, and consequently the loss of competitiveness.

### Economic effects of remittances upon the country exporting labour force<sup>1</sup>



Note:\* NTG – non-traded goods

### Factors

- The migration generated by the great difference between the salaries in the country exporting the work force and the country importing it;
- The incapacity of national producers to satisfy the consume generated by remittances;
- The undeveloped capital market, which blocks the attracting of remittances into investments.

### Anticipations

The International Monetary Fund predicts that Moldova will become world leader in terms of money transfer sent home in 2008 by the migrants<sup>2</sup>. These transfers will represent almost the double of the current figure in less than a year.

Overcoming the passiveness and approaching this problem systemically and coherently by the authorities of the Republic of Moldova represents a vital necessity in order to avoid the deepening of the economic problems.

### Questions

- What are the effects of remittances upon the economy of the country?

<sup>1</sup> Alexandru Culiuc. "Integrating migration and remittances into a development strategy. The case of Moldova." <http://www.culiuc.com/archives/2007/01/sypa.phtml>

<sup>2</sup> Budapest Business Journal, [http://www.bbj.hu/news/news\\_29615.html](http://www.bbj.hu/news/news_29615.html)

- What will happen to the national economy should the volume of remittances decrease?
- How can the remittances be included in a development strategy?

## E 11. The lack of local financial autonomy

### Subject

One of the most difficult problems of the local public authorities is the lack of financial autonomy, which undermines their economic development.

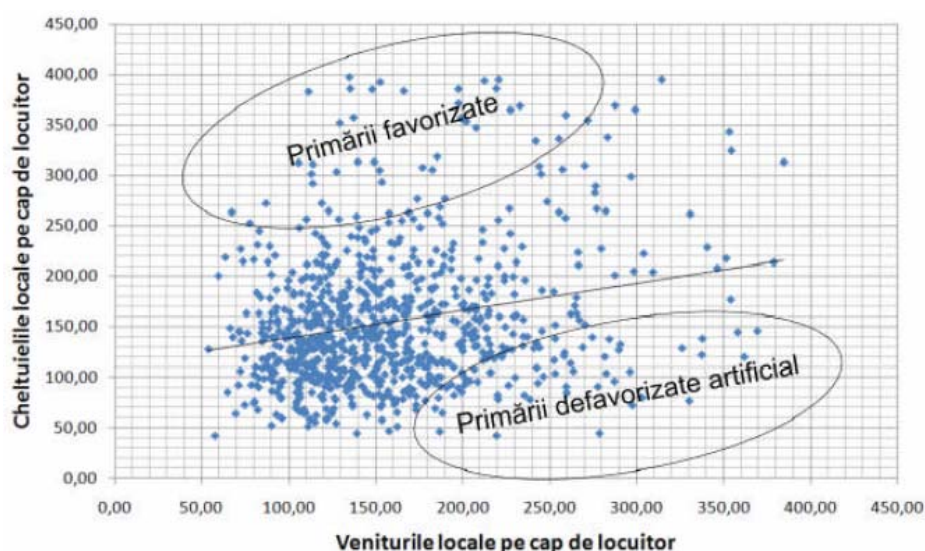
### Description

The present system of local finance is unbalanced and inefficient, functioning according to the rule of exceptions and discretionary transfers<sup>1</sup>.

The rural localities are degrading because of the fact that the budgetary resources they have are minute and do not cover their needs. The mayoralties represent more than 2,5 mil. inhabitants and get to manage only 34 mil. lei annually, which constitutes a volume 5 times smaller than the budget of the State Customs Service (183 mil. lei) and only 0,3% of the consolidated state budget – 12 billion lei.

The analysis of the degree of correlation between the local revenues and the expenses of the 898 mayoralties show that there is no connection between these two factors (the degree of correlation is 0,341). Only 10-15% of the mayoralties have expenses comparable to their revenues, the rest are either favoured mayoralties (small revenues, big expenses) or, on the contrary – rich mayoralties that have their economic potential sublimated by expenditure constraint (big revenues, limited expenses).

#### Correlation between the local revenues and expenses



Source: the Ministry of Finance, Local budget for 2005

Approximately 20-25% of the mayoralties with reduced economic potential are artificially advantaged by the existing system of transfers and approbations. This does not significantly improve their situation, but it produces major perturbations in the system of budgetary balance and local economy development. Around 15-20% of the mayoralties are artificially blocked by arbitrary decisions of third-party authorities, because they can not use the accumulated resources.

The fact that every County Council decides what part of the revenues cashed from income and property taxes stays in the Centre and what part goes to the Mayoralty, reinforces the dependence of the mayoralties upon the occasional subsidies, transferred on criteria of political clients. Although at the beginning of 2007 the Law concerning administrative decentralization became active, the situation in this domain will not improve because that law contains several serious lacunas. These lacunas impede the effective implementation of what should be fiscal decentralization. This way, as a result of this law, the problem of the absence of financial local autonomy has obtained the following metamorphoses:

<sup>1</sup> Moldova are nevoie de o noua lege a finanțelor publice locale... o lege care sa-l ajute pe cel sărac sa o ducă mai bine, iar pe cel bogat sa-l lase sa se dezvolte (IONIȚĂ Veaceslav ), <http://viitorul.org/viewinterview.php?l=ro&idc=153&id=845>

- „the doubling” or the lack of some clear delimitation of competences between the public authorities of the first and the second level. The mechanism of competence delegation and of means to cover financially the delegated competencies, needs to be established;

- the list of „compulsory activities” for the mayoralities is very limited (sanitation, illumination, water, graveyards) and does not comprise the whole spectrum of services that are necessary to be offered at a local level. It is not clear who carries out the list of “optional” tasks.

The law of decentralization should have been followed by a law on local public finance. In the absence of this law the process initiated in 2006 could be compromised for a long time. The real reform was replaced by the prolongation of quasi-legal ambiguities, legislative incoherence and instability of the local public administration system. In the absence of transparent legal frame for negotiations, the norms elaborated by the Ministry of Finance are irregularly and discretionary applied, to the advantage of some client groups of localities, which results in transfer inequities - 2 or 3 times bigger transfers for some favoured localities, compared to those non-favoured.

## Target group

- Tax-payers;
- Economic agents from the rural localities;
- Mayoralities.

## Impact

Excessive centralization of the public finances, and their further chaotic distribution by the county Councils, undermines the economic potential of the local authorities. If the problem of local public finance is not solved, then Moldova risks compromising the legislative initiatives adopted in 2006. These will concern administrative decentralization at the level of local public administration, and also other macroeconomic reforms that are waiting to be adopted. In 2008, those territories where the democrats came to rule will have to suffer. The Government maximally reduced the financial autonomy of territories and excessively centralised the public finance. From the 14 billion lei of total income, the territories will get only 2,76 billion lei, and the biggest part of that will go to one third of the counties, those controlled by communists.

## Dynamics

Up to this moment, the authorities of the Republic of Moldova have repeatedly stepped on the same “rake” by repeatedly adopting laws in the domain, marked by the same mistake. These laws have not allowed the improvement of the functioning of local public administration, but have attracted numerous criticisms from the local and international experts, including the reporters of the Council of Europe.

The present law of public local finance (approved in 2003) had the dubious merit of taking away from the local authorities of the first level (mayoralities) the most important source of revenue, except the taxes. At present around 100 mil. lei are collected by the mayoralities, out of which 65 mil. lei are collected only by the areas Chisinau and Balti. The rest of the revenues transferred to the local budgets represent the result of “informal” negotiations between the mayoralities and the counties.

In 2007, the reform of public local finance continued to be blocked, by using speculative arguments in favour of conserving the existent system. Although the Ministry of Finance agreed 95% on the content of the new public local finance law, proposed by IDIS “Viitorul”, the central authorities do not support the implementation of the law beginning with 1<sup>st</sup> of January 2008.

The model of “regionalizing” proposed by the law concerning the regional development can’t be considered viable either, because the created regions of development are sooner statistical units than regions capable of financial autonomy and sustained economic development. We have to mention the fact that the process of elaboration of the Strategy for regional development has already started, but this process is not open to public.

A confirmation of the fact that the distribution of budgetary revenues is based upon political preferences is the allocation for the municipality of Balti of 129 mil. lei, and for Chisinau – only 100 mil. lei, in the project of the budget for 2008, leaving the Chisinau Town hall with a financial deficit of 1 billion lei. Even though the communists deny that they’re settling scores with some territories through the budget, this fact is evident. So, for the state organisms of general destination (Parliament, Government, Presidency etc.) in the year 2008 the communists set aside a billion lei, and for the rest of the territories they allocated only 2,7

billion lei. This means that a few hundred persons will spend about a half of the sums allocated to a few million people!

If they were really interested to support the territories and to ensure their financial autonomy, the communists could easily have made use of the articles of the law concerning public local finance from the 16<sup>th</sup> of October 2003, which refers to the percentage defalcations from the general state revenues to the budgets of the administrative-territorial unities. For example, based on this law the local authorities could get the right to keep in their budgets at least 10% of the VAT collected in the territories and at least 50% of the taxes for the merchandise produced on their territory. This means that if the government does not give them money, it could at least create the possibility for the leaders of this territory to collect the money by themselves. Especially since Moldova has a precedent of this kind – at this chapter UTA Gagauzia fully benefits from the articles of the law concerning public local finance.

## Factors

- Imperfect legislation;
- Pressure from the Council of Europe and the civil society;
- The resistance of central authorities to give up some of their financial jurisdiction in the territory;
- The acute lack of money in the localities to cover the needs of the population.

## Anticipations

In the conditions of adoption of the new law concerning public local finance and its implementation starting with the 1<sup>st</sup> of January 2008, the counties could have secured revenues. Through very clear mechanisms, the poor could be subsidised. The non-fiscal income would remain at the discretion of the local authorities, which would stimulate them to attract as many investments as possible, in order to ensure a financial stability on a long term. By planning their own annual budget, including the investment budget, the authorities would become credible actors on the capital market, capable of attracting loans, including possible European funds for local investments.

Also, it is estimated that already in the next 2-3 years the local authorities will register an essential growth of their own non-fiscal revenues. This growth could be of approx. 900 mil. lei, additional to the increase by 500 mil. lei, which is expected in case of keeping the current system.

As a result of imposing the “0” quota on the reinvested profit by the economic agents, the transfers from the state budget to the local budgets will increase by approx 55% in 2008, compared to 2007. Although this compensates the local budgets for their losses, the increase of transfers corrodes even more the autonomy of the local public authorities.

## Questions

- What are the threats and problems created by this situation and what can be done today in the Republic of Moldova?
- Why are some mayoralities favoured (meaning they receive bigger budgetary resources than they collect), and others are overlooked?
- What are the consequences of this kind of situation and how will it influence the public administration in the future?



## E 12. The fiscal amnesty – a threat for the fiscal discipline

### Subject

The unconditional forgiving of debts and penalties for the enterprises that have committed fiscal evasions creates a feeling of injustice for the honest taxpayers.

### Description

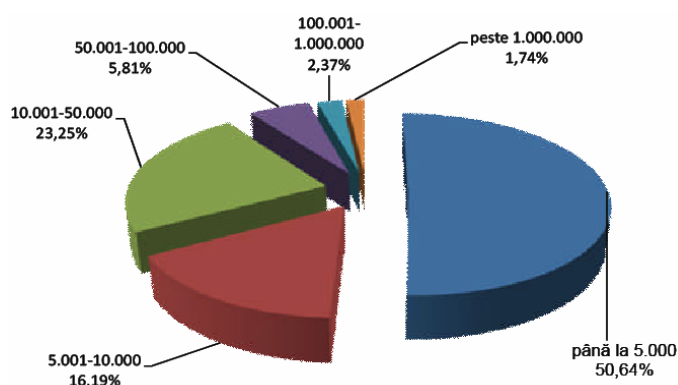
Over the last two decades, the specialized literature referring to fiscal amnesty was in general critical, especially because of the negative impact of amnesty upon the taxpayers. Even so, the developed countries as well as the ones still developing continue to adopt amnesties with considerable enthusiasm.

The majority of amnesties fail to satisfy the expectations of revenue increase. One cause for that would be the fact that the taxpayers anticipate other future amnesties, with even more favourable conditions. In this case, we have the problem of the credibility of the government's promises, that the current amnesty will be the last one. Our government does not enjoy much credibility, just like the whole political class.

More than that, the way by which the proposals of the president were made public during the Governments session, it was clear that their elaboration was in no way coordinated with the Executive. Actually, the executive should have been able to study them thoroughly before they were put forward.

The main problem with the launching of these initiatives, and especially with the fiscal amnesty, is the fact that it was announced after the financial exercise already ended, after the filing of the financial reports. Obviously, the business circles close to the president knew about these initiatives even before their launching.

#### The allocation of the economic agents according to the size of their debt



Source: Main state tax inspectorate<sup>1</sup>

More than that, those who do not follow their obligations are the ones who have a very bad activity, unstable management and low efficiency. We suppose that the fiscal amnesty was requested by the economic agents "connected to the power", especially by the state enterprises with great debts to the state. These enterprises will be favoured by the state over the private and the foreign ones. In this case, the Main state tax inspectorate must be honest and public over the Internet the list of the enterprises with the greatest debts.

By applying the fiscal amnesty, the state missed the chance of healing the national economy of bankrupt and unprofitable enterprises. In general, in the Republic of Moldova, there is reduced fiscal discipline, and the amnesty will diminish it even more. Such an initiative as the amnesty should exist only if a mistake of the state has been discovered, a bad legal article, that created vicious fiscal debts.

### Target group

- Main state tax inspectorate;
- Tax payers.

### Impact

<sup>1</sup> Communiqué nr.17-6-07/1-1146 din 05.12.2006

In general, the initiatives of the president had no effect, and the fiscal amnesty will have a pronounced negative effect on the budget, as well as upon the fiscal discipline in perspective. The annulment of fiscal debts is a very vicious practice. This practise has a series of negative effects among which are:

- a. Loss of budgetary revenues;
- b. Discouragement of those who had paid their taxes;
- c. Decrease of fiscal discipline;
- d. Discouragement of fiscal workers;
- e. Stimulating inefficiency;
- f. Risk of losing budgetary revenues in the future;

Thus, the budget loses over 2,5 billion lei. In reality, the sum that could have been cashed was of approx. 1 billion lei and the debts forgiven belong to the enterprises that, to a great degree, after the annulment of debts will accumulate new ones, without hope of improving their economic performance and their management. From the experience of past years, the annual losses will reach up to 200-250 mil. lei. Another impact of this problem is that fiscal amnesties distract the administrators from their ordinary activities and can also reduce the motivation of the fiscal departments.

The specialised personnel become discouraged when their effort of audit and collecting the arrears is partially annulled by amnesty. This allows the taxpayers to “go on”, treated with indulgence. [1]

The impact of the amnesty would have been entirely different if the amnesty had been more restricted. For example, if it would have been applied differently or only the fines would have forgiven, but not the debt taxes. Some studies conclude that such an amnesty could improve the fiscal discipline, even if only temporarily.

Fiscal amnesties have always had serious repercussions on the activity of the fiscal administration. Firstly, the management of the amnesty itself consumes a significant amount of the personnel time, distracting resources from their ordinary functions. It should be clear that the disadvantages of the fiscal amnesty “are much heavier” than the presumed benefits.

## Dynamics

At the moment of the launching of the president’s initiatives, the fiscal debts of the economic agents reached 2,5 billion lei. The State Fiscal Service annulled, in the period of May-August 2007, the arrears to the state budget of 32 065 tax payers, in quantum of 3 billion 99,2 million lei<sup>1</sup>.

During this period, the arrears to the funds of medial insurance were annulled for 7029 tax payers, in quantum of 8,3 mil. lei, including the basic payments – 2,7 mil. lei, penalties – 4,9 mil. lei and fines – 0,7 mil. lei<sup>2</sup>.

The National House of Social Insurance annulled the arrears of the budget of social insurance for every rayon and for the whole country, in quantum of 947,88 mil. lei.

## Factors

- The will of the authorities to accumulate rapid income;
- Ignoring the multiple disadvantages of the amnesty, like the corroding of fiscal discipline;
- Infringing the principle of fiscal equity;
- The increasing scepticism of the taxpayers towards the message of the government of reforming the fiscal system.

## Anticipations

In our opinion, the strengthening of fiscal discipline can be reached only by permanent improvement in fiscal administration. Fiscal amnesties, unfortunately, not only divert the resources destined for execution, but also have negative effects upon the level of fiscal discipline.

## Questions

- What are the advantages and disadvantages of the fiscal amnesty?

<sup>1</sup> [http://www.moldova-suverana.md/index.php?start\\_from=&ucat=8&subaction=showfull&id=1187874138&archive=1188306442&](http://www.moldova-suverana.md/index.php?start_from=&ucat=8&subaction=showfull&id=1187874138&archive=1188306442&)

<sup>2</sup> <http://economic.moldova.org/stiri/rom/69448/>

- What will be the potential losses caused by the decrease of the fiscal discipline in perspective?
- What is the real reason behind this amnesty implementation?

## E 13. The nil effect of the legalization of the capital

### Subject

The manner in which the authorities determined a tax rate of 5% in the context of the capital legalization procedure is unclear and absurd. Although, it was counted on the effect of legalizing a capital of 1 billion USD, the cashing from the legalization in May-December 2007 has reached only 3 million lei (approx. 250 thousand USD).

### Description

The objective of the state is that a maximum of the revenues coming from remittances are invested. Legalization, in the case of physical persons, involves the punishing of those who invested the money coming from remittances, because only these values exist and can be taxed.

As long as goods are not sold, there is no legal reason to impose on them a bigger value than the one declared by the owner of the goods. Today, the remittances that reach Moldova are estimated to a total volume of approx. 1,4 billion USD (expected for 2007), and they serve a secure “safety belt” for the physical persons, abandoned in transition. The remittances do not get into the banking system and do not serve to the completion of the budget, but they represent a guarantee of individuals’ survival. In the absence of a system of taxes for the revenues coming from remittances, it is hard to imagine how the physical persons could ever be imposed to declare their properties, which they own legally and independently from the state.

To positively stimulate the economic agents to legalize their capital it is extremely important that the taxes for capital legalization to be comprised within 2,1-3,0%<sup>1</sup>.

Only under these conditions, the business environment could consider the measures taken by the authorities credible and advantageous. The absence of some estimation based on a formula, credible anticipations and accepted by both sides, rises big doubts about the conditions of the preparing of these initiatives. We mention that if a “zero” quota is established for the income tax of juridical persons, it is improbable for the economic agents to legalize (increase capitalization) of their owned goods.

The lack of some clear messages from the authorities as well as any unwise actions, can lead to distortions on the market. The financial resources owned can easily be transformed in real estate, which gets them out of the incidence of capital legalization. For this reason, we believe that physical persons should not constitute an objective for capital legalization.

The target for a possible policy should be represented only by economic subjects (companies).

Another argument that would stimulate the economic agents to declare their growth of capital is the possibility of amortization and, respectively, of deducing from the imposable amount. If the income tax is at “zero” quota, the necessity to undertake this operation disappears.

### Target group

- Economic agents;
- The Government of the Republic of Moldova.

### Impact

The nil effect of this initiative became evident already in December, when the Minister of Economy and Commerce Igor Dodon announced that during May-December 2007, the volume of the legalized capital constituted 60 mil. lei. According to the presented data, the value of the cashing obtained from legalization constituted 3 mil. lei, which were discharged to the budget.

At the moment of the launching of this initiative, the Minister of Finance, Mihai Pop, declared that the legalization of capital, proposed by president Voronin, would generate an economic effect of 1 billion USD, and that the authorities are counting on a reduction of the share of shadow economy from 30% to 15%.

Introducing the “zero” quota for the income tax of juridical persons will totally discourage the economic agents that would be inclined to legalize their capital today. The conclusion of the experts from IDIS „Viitorul” is that this “zero” quota on the reinvested income reduces to a minimum the positive effects of the initiative of capital legalization.

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<sup>1</sup> See Policy Brief: Tendencies in 2007, Economic Monitor Nr.1 April 2007, IDIS „Viitorul”

## Dynamics

From 2000 until now, the values of real estate have increased 7 times, which represents to the economic agents a juridical guarantee for this kind of capitalization. Even if they paid in cash the biggest part of the cost of purchased goods, and their balance value is relatively small, the economic agents have a very strong alibi in the conditions of an unstable market economy. The value of real estate goods has grown so much it is hard to establish, peaking of dark capital, that should be legalized, or of a simple growth of capital, which is being taxed according to an existent legal frame.

For physical persons capital legalization is premature, say the experts of IDIS “Viitorul”. The lack of a taxing practice for the rapid capital increase of physical persons, transforms into populism any call to legalizing the value of material goods owned. In the absence of some elements specific to the capital amnesty, the citizens cannot be convinced of the good faith of the state initiatives and are not economically motivated. As a confirmation to that serves the fact that, until present, in RM there is no precedent of paying off the taxes on capital increase. If the state would insist upon introducing these taxes, the whole real estate market would be immediately transferred into the unofficial economy.

## Factors

- The lack of relevant and consistent economic analyses to argument the taken measures;
- The will of the Government to increase the cashing to the budget on the account of capital growth;
- The general increase of prices under the influence of international prices, and at the same time the increase of the value of the actives owned.

## Anticipations

According to the studies published by Capital, in the Republic of Moldova there is the most dramatic discrepancy in Europe of revenues, between the echelon of top management of private enterprises and the echelon of low executive, the employees of the enterprise, the difference constitute 77 times. Under these conditions, we anticipate that the objective reaction of society will be very negative towards the legalization of capital accumulations of uncertain origin (condemnable by the majority of the population). In our opinion, the adopting of such unpopular policies should be preceded by important pluralist debates, relevant for the citizens.

## Questions

- How was the quota of 5% for legalized capital calculated?
- What does the capital legalizing imply and what are the advantages of this initiative?

## E 14. The vulnerability of the energy sector

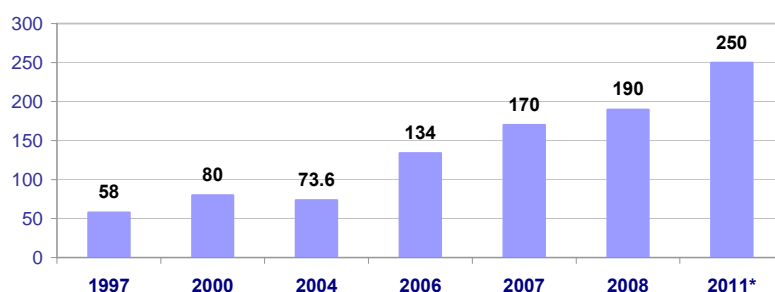
### Subject

The root of the problem consists in the fact that Moldova is totally dependent on the important energy resources, 100% of the necessary natural gas is imported from the Russian Federation, and 70% of the electrical energy – from Ukraine.

### Description

In the energy sector, the problems are mutually generating, like in a vicious circle. The increase of the gas prices determines a chain of price increases, for thermal agent, electricity, and afterwards, for many domestic products and services. This is due to the fact that the share of the energy resources in the cost price is quite high.

**Evolution of medium prices of purchase for natural gas in the period of 1997-2007,**  
USD/1000m<sup>3</sup>



*Note: \* Estimated by Moldovagaz.*

For Moldova, the sudden increase in 2006 of the gas price, from 80 USD to 160 USD per a thousand cube meters, was a double shock because we have always benefited from preferential prices, but also because we have no alternative sources of import. Taking into account the normative losses from the system, losses that here exceed the European ones, we will pay an even higher price. Concerning the electrical energy, Moldova's capacity of production was reduced to 30% of the current necessary, from the point when the Cuciurgan Station passed into the administration of the Russian company "RAO EAS" (August 2005). Without admitting the privatization of the Cuciurgan Station, Moldova preferred to import energy from Ukraine. Although a quite attractive contract has been signed, the price of electrical energy delivered becomes more and more vulnerable to geopolitical changes. Ukraine afforded a delivery of electric energy to Moldova at a very advantageous price for us, but only as long as it fed upon the cheap gas from Russia, but now the situation has changed. In the context of Russia still affirming that it subsidizes the ex-soviet countries, we can expect a price of 300 USD/1000m<sup>3</sup>, for both Moldova and Ukraine.

It is clear that the actives in Moldova are of no great interest for Gazprom, if we compare them to those in Ukraine. Still, Gazprom pressures the Moldovan authorities for a rapid agreement of transferring Transnistria's quota of 13,44% in Moldovagaz to the ownership of Gazprom. Cornered by the new price increases, the Moldovan authorities could be forced to give up the few stocks they still own at Moldovagaz – 35,33%.

The situation is problematic in the thermal energy sector as well. Due to a bad price policy led by the authorities, the tariffs for the thermal agent do not cover the costs, which led to the accumulation of chain debts: the Town Hall of Chisinau is indebted to Termocom because of the citizen compensations (approx. 151 mil. lei) and Termocom and indebted to Moldovagaz for the consumption of natural gas (approx. 250 mil. lei or 20 mil. USD), etc.

Recently, the Head of the Department for marketing and processing the gas and liquid hydrocarbons of Gazprom declared that the overtaking of CETs it is not excluded, on the account of their debts or by buying them. As for the oil sector, the situation is significantly better than on the rest of the sectors of the energy markets.

## Target group

- Gazprom;
- Moldovagaz;
- Termocom;
- The Government of the Republic of Moldova.

## Impact

All the existing problems in the energy sector directly or indirectly affect the consumers. The strategy for the energy sector has null effects, due to the absence of premises for realizing the wanted objectives.

## Dynamics

After the division into specialized enterprises, in the years of 1997-1998, of the state company Moldenergo, and the privatization, in February 2000, of the three electrical networks (RED-Centre, RED-South and RED Chisinau), any of the decisions about restructuring or privatizing of this industry has been postponed for a long time, because the industry is affected by the lack of new technology and bad management.

In the first stage, started five years ago (2002), the market was open to a degree of 10% of the total annual energy consume, for those big consumers connected to the electric networks of 110 and 35 kV tension. Plus, the National Agency for Energy Regulating (ANRE) established for these big consumers connected to the electric networks of 110 kV tension a tariff of 0.55 MDL/kWh. This is almost 30% lower than the price established for the other categories of consumers.

In the last ten years, we had two strategies and a conception of development of the energy sector, which remained static. The complete liberalization of the electrical energy market, anticipated for the 1<sup>st</sup> of July 2007, was postponed by the decision of the Government on June 27<sup>th</sup> 2007, for a period of approx. eight years. Oddly enough, a new energy strategy has been adopted that requires attracting of foreign and private capital in the energy sector, in quantum of over 2 billion Euros in 13-14 years, which is the double of the amount of total investments in Moldova over the last 15 years. Where can we find this money without liberalization of the energy market and privatization of the sector? The investors will not come to a market where there are no clear rules, and where the political class controls the market. At the same time, no one will want to invest in this sector. Last year, for example, the state put out for sale three enterprises: Electrocon, Aprozoelectro and Energoconstrucția, but there were no buyers.

Up until July, Moldova received electric energy from Ukraine, at the price of 0,027 dollars per 1 kWh, but in July, the price has risen to 0,03 dollars and will increase monthly by 0,1 cent, until it reaches the internal price of Ukraine.

## Factors

- The lack of owned energy resources;
- The buying by RAO EAS of the Kuchurgan Station;
- The tariff policy is not adjusted to the level of costs;
- The Transnistrian conflict still has no solution.

## Anticipations

With the liberalization of the economic sector postponed until 2015, there are no significant positive changes in the sector expected. The liberalization of the market will require, obligatory, the dividing of the tariff for distribution and delivery (united at present) into two separate tariffs (for distribution and for delivery). In addition, it will be necessary to introduce binomial tariffs by the levels of tension, which would eliminate the cross subsidizing. This step could lead in the end to a higher delivery tariff for the domestic consumers, connected to the lines of low voltage, and a smaller tariff for the industrial consumers connected to the lines of medium and high voltage.

The increase of the price of electrical energy delivered by Ukraine could lead to a leap of the internal

tariffs for energy. Nevertheless, Ukraine covers about 70% of the internal consume. There exists the tendency to connect the rise of the prices for gas to the rise of the prices for oil. Therefore, we can only anticipate new increases of the prices.

## Questions

- Why is the privatization of CET-s postponed indefinitely?
- How can the problem of Kuchurgan Station be resolved?



## E 15. The cost of the errors in the gas industry

### Subject

Over the years 1994-2007, Gazprom has prejudiced Moldova's budget by 1,5 billion USD, due to the inadequate public policies of the authorities of the Republic of Moldova in the domain of supplying and transiting the natural gas.

### Description

From the analyses<sup>1</sup>, it has been established that the value of the main gas lines, evaluated in 1994 according to the active law, was of 1,87 billion dollars. At the same time, the real value of the business of transiting gas, at the moment of purchasing this patrimony by the "Gazprom" company, constituted 467 billion dollars. In the agreement by which Gazprom received 51% of the main gas pipe line patrimony, the debts of "Moldovagaz" company to the Russian company rose from 22,2 million dollars to 343 million dollars, including 140 million dollars – debts from penalties. This explosive increase of debts, calculated by the Russian monopolist in the domain of natural gas, was intended to justify the quota of 51% in the new Moldovan-Russian company. This is why, the natural gas tariff for the Republic of Moldova was increased that year from 38,5 dollars to 80 dollars. For every day of lateness on these payments, there was also added a 0,35% of the whole debt penalty, which constituted a rate 17 times higher than the one applied in other countries. This way, a rapid "swelling" of the debt was obtained – 130 million dollars.

Under these conditions, the "Gazprom" concern obtained the monopoly over the main gas pipe line system, paying, by reducing the debt, only 51,5 million dollars, which is a price nine times lower than the real one.

It is paradoxical the fact that even now there is no juridical ground for Transnistria to have control over a part of the main gas pipelines of Moldova. The value of these pipes has never been checked, because, since the constitution in 2005 of the company „Gazsnabtranzit“, the enterprise „Tiraspoltransgaz“ owned a share of 11% in the patrimony of pipelines, because all the other four Moldovan gas pipelines transit the left side of the river Nistru.

The meters according to which the volume of natural gas entering and leaving Moldova is calculated, are situated in Ukraine, at 30-40 km from the Moldovan border, and to make an allocation of losses, every year mixed Moldovan-Ukrainian commission unites. After negotiating, this commission distributes those volumes to Moldova and Ukraine. We must mention that, until now, not one leu from these expenses, afferent to losses of natural gas, has not been undertaken by the Transnistrian part. Respectively, the Moldovans pay a part of the consumed natural gas for the Transnistrians. More than that, allocating the revenues of transit between the left and the right sides of Nistru was distorted by the constant reduction of prices of purchase of natural gas coming from Russia, from 80 dollars to 58 dollars. On the account of paying the services of gas transit through Moldova, it has been omitted the fact that the share of the Transnistrian region in gas consume is much higher than its contribution to the transiting of gas. This fact led to additional payments, during just 3 years (1995-1998), by the consumers from the right side of Nistru, of 37,5 million dollars. This way, at the end of the year 2006, the Republic of Moldova has had additional expenditures of 103 million dollars, because it did not adjust the price for gas transit, almost 240 million dollars – after the "swelling" of the tariff, and plus another 231 million dollars – due to the payments of the consumers from the right side of Nistru for the expenditures afferent to the left side.

### Target group

- Gazprom;
- Moldovagaz;
- Citizens of the Republic of Moldova.

### Impact

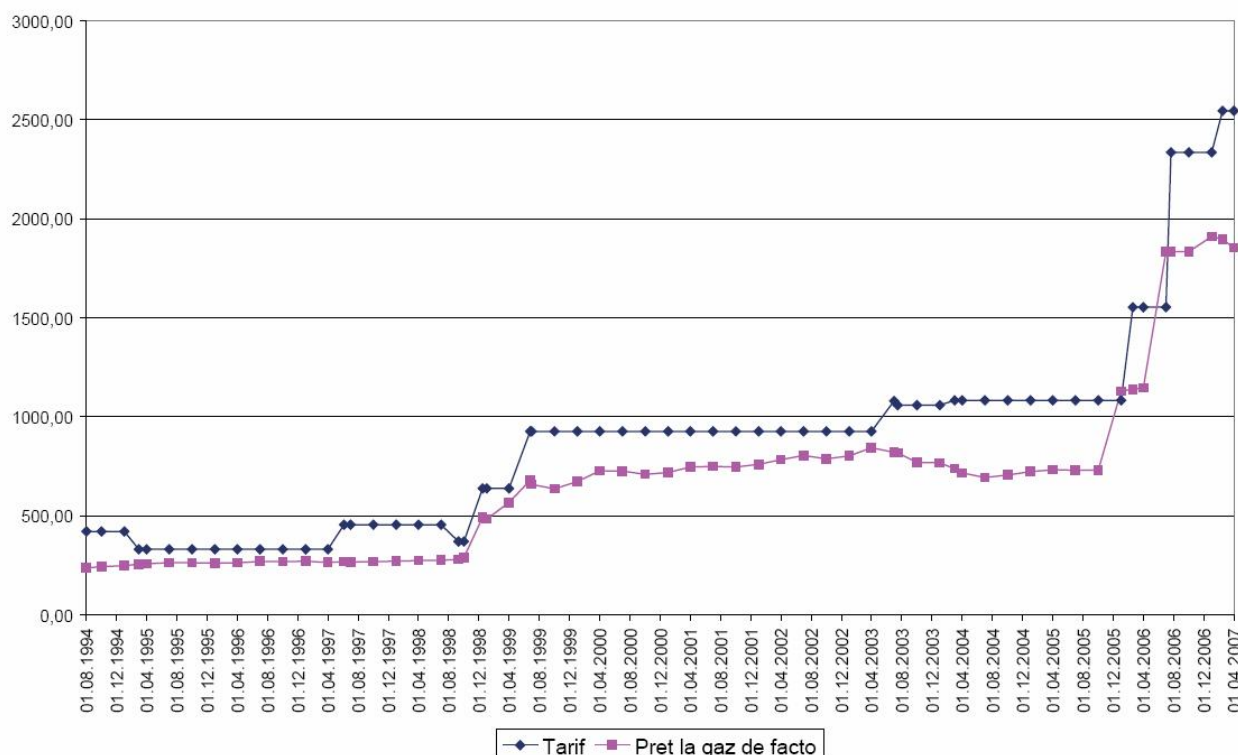
<sup>1</sup> Public Policy Study, "RM Industry RM: The burden of ignorance and the Cost of Errors", Victor Parlicov and Tudor Șoitu, IDIS „Viitorul”, 2007.

Because of the errors committed by the central authorities in applying these public policies in the domain of gas industry, the Republic of Moldova lost more than the value of all the donated funds by the international organizations over the last 15 years.

Certainly, the domestic consumers will feel the burden of the rising of gas prices too, especially by those who have systems of heating based on gas. And if we take into consideration that not just the prices for gas will increase, but also the prices for many other utilities connected to the gas-prices, the apparent situation is not at all gladdening.

## Dynamics

**The Evolution of gas tariff, compared to the de facto price and the realistic adjusted price**  
(August 1994 – April 2007)



*Situation based on real calculations and data<sup>1</sup>*

Because the gas-distribution system is a monopoly and presents a special political and economic interest, its relations with clients have a series of specific characteristics. One of them is that the price of gas cannot be established by the company delivering it, but is object of negotiations between the company and the government.

In the upper chart, we can see that over the last few years this difference between the tariff and the price for gas, de facto, gets enormous proportions, those from the right side of the river Nistru being forced to pay additional millions of dollars annually.

Another problem is the fact that those meters by which the entering and exiting of gas in Moldova is calculated, are situated in Ukraine, 30-40 km from our border, which leads to "losses" of hundreds of millions of cube meters of gas, tens of millions of dollars annually.

For many years in a row, the Government gives Moldovagaz the assignment of making some projects of gasification and building of gas pipelines. For example, in 2003, it compelled Moldovagaz to build the gas pipelines Tocuz-Căinari-Mereni and Drochia-Bălți-Ungheni. Moldovagaz still did nothing about it. In this case, the Government was the one to finance the construction of the gas pipeline Tocuz-Căinari-Mereni. Under these conditions, the new initiative of the premier Tarlev, "in common with the responsible ministries and the local public administration, Moldovagaz is to elaborate a clear mechanism and an efficient program

<sup>1</sup> Public Policy Study, "RM Industry RM: The burden of ignorance and the Cost of Errors", Victor Parlicov and Tudor Șoitu, IDIS „Viitorul", 2007.

of construction, inside the localities, gas networks of medium pressure, because the gasification process in villages and communes is developing very with many difficulties”. This is a true confirmation of the fact that, if Moldovagaz does not sabotage, it does not really do anything for the gasification of Moldova.

In the contract of S.A. „Moldovagaz” constitution, it is stipulated that this company take on the responsibility for the maintenance, modernization and expansion of the transport and distribution network of gas on the territory of the Republic of Moldova. This article is a natural and equitable one, because the company “Moldovagaz” is the one to benefit from this network in the view of generating profit.

This way, the amounts of money paid by the citizens for gasification of localities, which is estimated to over 500 million lei, must be paid back by the actions of Moldovagaz or by ownership of the regional distribution enterprises, or by gas delivery.

## **Factors**

- Gazprom;
- The Transnistrian conflict;
- Ignorance of the authorities.

## **Anticipations**

According to the agreement negotiated with Gazprom, until 2011 the prices will be gradually adjusted to those paid now by the western consumers. Next year, the price for one thousand cube meters of natural gas delivered to the consumers from Moldova will reach 190 dollars.

## **Questions**

- How should we define correctly the energetic security and what should be done to consolidate it?
- What are the total losses caused by Gazprom to the national economy?

## E 16. Termocom – the black hole of Chisinau thermo-energetic

### Subject

The problem of Termocom is that it consumes every year huge sums of debts, governmental subsidies, credits and interest rates.

### Description

At present Termocom is a monopolist in the delivery of thermal energy and hot water in Chisinau municipality, and has debts of approx. 1,8 billion lei, being, by this indicator, the biggest debtor in Moldova.

Most of these debts are towards CET-s from Chisinau, Moldovagaz, Apa-Canal and Union Fenosa Group, but also to the state budget. In a market economy, if a commercial institution does not bring profit, it can become bankrupt. Moreover, this thing happened and is still happening to Termocom, which, for seven years has been in the process of bankruptcy.

The debts of the thermo-energetic sector, on 1<sup>st</sup> of June 2007, constituted 1 441,3 mil. lei, including SA CET-1 – 342,7 mil. lei (year 2006 – 326,4 mil. lei), SA CET-2 – 1 072,9 mil. lei (year 2006 – 981 mil. lei) and SA CET-Nord – 25,7 mil. lei (year 2006 – 28,3 mil. lei)<sup>1</sup>.

The creditor debts to Moldovagaz, the main creditor of CET-s, on 1<sup>st</sup> of June 2007, were of approx. 1 590 mil. lei, out of which CET-1 – 373,9 mil. lei, CET-2 – 1 080,4 mil. lei și CET-Nord – 135,9 mil. lei.

The administration of Termocom explains this by the fact that, for over 8 years the tariff for thermal agent has not been modified. At the same time, the prices for natural gas, electric energy and water increased. Since January 25<sup>th</sup> 2007, the tariffs for thermal energy have increased by 2,3 times, but the consumers from the capital didn't feel this directly. They continued to pay their bills according to the old tariffs, established 8 years ago – of 233 lei or a Gcal, as a result of the decision to compensate the tariff increase with 307 lei

from the local budget. It was estimated that this difference would cost the budget, only for the period of January-April 2007, approx. 220 mil. lei. Out of this sum were paid only 40 mil. lei, the rest of the expenses had no financial coverage.

On August 3<sup>rd</sup>, Termocom announced that it has filed a law suite against the Town Hall of Chisinau municipality, for not paying the debt of over 151 mil. lei (12,3 mil. USD). The Town Hall of Chisinau municipality paid a first tranche of 50 mil. lei from the debt to SA “Termocom”, by the decision announced on Monday, 6<sup>th</sup> of August 2007. On November 1<sup>st</sup> 2007, the debt of the municipal budget to Termocom was of 91 mil. lei, and for the months of November and December there would have been added to the debt other 110 mil. lei. In quantum, in the year 2007, Termocom was to receive from the Town Hall funds approx. 330 mil. lei, which represents 20-22% of all the expenditures of the municipal budget.

If we think about it, no other enterprise from the republic receives directly from the budget this kind of sums. For the year 2008, though, the anticipated sums for subsidies of heat delivery were supposed to rise to 550 mil. lei, if the Central Municipal Council would have accepted Termocom's request to increase the tariff for heating up to 715 lei/Gcal. The biggest part of this money doesn't remain with Termocom, but go to pay the natural gas supplied by Moldovagaz, the thermal energy received from CET-1 and CET-2 etc.

CMC could act like their colleagues in Balti. There, since February 2007, the heat tariff was increased, from 299 lei to 540 lei/Gcal, and the difference of 241 lei was covered by the local budget. In the absence of the necessary resources to subsidize this tariff, the councillors from Balti increased, starting with November 2007, the tariff for heat, from 299 to 420 lei, the tariff paid by the population for the heat, and the rest of 120 lei is covered by the budget. The consumers from Balti that have “benefited” for five years of a heat tariff 25% higher than those from Chisinau, and there haven't been problems. Now the population from Balti pays a tariff two times bigger than the one in Chisinau. Of course this is not a decision the population would like, but there is no other solution.

After Termocom stopped the delivery of thermal agent to the office of the Town Hall and the delivery of hot water to every inhabitant of Chisinau, CMC approved during the session on Wednesday, 20<sup>th</sup> of December 2007, to allocate 48,2 mil. lei to the account of “Termocom”, for them to reconnect the consumers of the municipality to hot water.

According to Antocel, “Moldova-gaz” already reduced by 20% the volume of gas delivery, and “Union Fenosa” warned that it will disconnect the SA “Termocom” objectives from the electrical energy if by 24<sup>th</sup> of December all the debts are not paid off.

<sup>1</sup> Ministry of Industry and Infrastructure, <http://www.mii.gov.md/print.php?l=ro&idc=98&id=167>

## Target group

- Termocom;
- The Government of the Republic of Moldova;
- The domestic households and the economic agents that consume thermal agent and hot water;
- The Council of Chisinau Town Hall.

## Impact

Because of the un-adjustment in time of the tariffs, the CETs have accumulated, since February to October 2006, losses of over 50 mil. lei. Since October to December, the CETs have accumulated more losses of 150 mil. lei. These, in the conditions of CETs being in a difficult economic situation, if not critical. At present, they have debts to Moldovagaz, sums that exceed 1,5 billion lei.

The situation of Termocom with the 1,8 billion debts, accumulated to its suppliers, is not a problem of just Chisinau municipality, but of the whole republic. An eventual crisis of payments from Termocom could generate a chain reaction. CET-1 and CET-2, for example, would not be able to accumulate enough financial resources to pay for the gas bought by Moldovagaz, which can also reduce its deliveries to a minimum.

Reducing the CETs to a minimum, or even stopping the activity of the CETs, could gravely affect the energetic security of the country that is already quite vulnerable.

„The cold war” between the Town hall of Chisinau and Termocom affects firstly the average population, the ones who pay regularly the communal services and has nothing to do with the decisions of the CMC, but suffers even because of the temporary stopping of hot water and thermal agent during the winter. The most affected are the kinder-gardens, schools, etc.

## Dynamics

In May 1995, the main networks of distribution, as well as the pumping stations were forwarded from the balance of the Moldenergo State Company to the Termocom SA balance. This way, an intermediary economic agent has been created between the CETs and the consumers. If the CETs would sell directly the thermal energy, without any intermediaries, the price for the consumers would be much more advantageous<sup>1</sup>.

Over the last few years, international financial structures, the European Union, USA and other creditors requested Moldova to continue the reforms in the energetic sector, more precisely, the privatization of CETs and of the electric distribution networks, elimination of outside interventions etc. It is also required that the energetic products are not sold lower costs and the elimination of the hidden subsidizing that, only for the year 2005, constituted tens of millions of lei.

The decision to postpone (until 2015) or to exclude the privatisation of electric stations seems quite dubious. On the other hand, the CETs are full of debts, hundreds of millions, and nobody wants to invest in them, without obtaining a major quota of the capital. At the same time, the state does not have the money to put them back on their feet either.

## Factors

- Under-appreciation of the tariffs for thermal agent and its establishment by the municipal council threatens the CETs with bankruptcy and makes them unattractive for foreign investors;
- Passivity and indifference of the Government towards the financial conflict between the Town Hall and Termocom;
- Adopting of populist decisions by the CMC that did not allow the adjustment over time of the tariff for the thermal agent.

## Anticipations

The local reference prices do not cover even half (approx. 40 % after the increase of gas prices) of the production costs of the thermal agent, because somewhere, on the way, appear losses about which nobody

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<sup>1</sup> Roman Mihaeş, The President of the League for protection of Consumer Rights (LADC), for Info-Prim Neo

knows and nobody really wants to eliminate. If the producers and deliverers of thermal agents do not get preoccupied by allocating investments in renovation and modernization of the distribution networks that would allow reducing the losses of the system, than no tariff increasing or subsidies from the state can resolve the problem. In the contrary case, the real cost of a Gkal could over the years exceed the medium European level, as a consequence of high costs of gas and our energy-consuming and inefficient system.

In case that Gazprom overtakes this enterprise, we will have a completely different situation in which would be impossible to negotiate a price for the thermal energy delivered.

The conflict between the Town hall and Termocom has inscrutable consequences. A possible stopping of delivery of thermal agent or the decrease of the temperature in the network could give an impulse to the demand for autonomous stations.

The League for Protection of Consumer Rights declared<sup>1</sup> that the liquidation of Termocom would be the most efficient solution to the thermal problems of Chisinau. The actives of SA Termocom could pass to the ownership of CETs based on the debts, and the rest of the creditors would be compensated upon some agreements.

## Questions

- Why is not the private infusion of revenues permitted in the still viable unities, and the rest to be shut down?
- How can the activity of Termocom be consolidated?
- What is the real cause of the financial conflict between Termocom and the Chisinau Town Hall?

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<sup>1</sup> Info-Prim Neo, 18 December 2007 <http://www.info-prim.md/?x=&y=12113>

## E 17. Constant growing of the carburant prices

### Subject

The National Agency for Competition Protection still does not have a mechanism of monitoring the oil sector.

### Description

The market of oil products was strongly liberalised, and as a consequence, the prices on the internal market depend greatly upon the international prices.

While the world prices for this hydrocarbon are ascending, its reserves, likewise the gas reserves, are diminishing in a rhythm even faster than we anticipated. The fact is due to an increase of consumption at a planetary level, says a report of the International Energy Agency. Starting with July 7<sup>th</sup>, the prices for liquefied gas increased by approx. 10%, from 5,5 lei/litre to 6,0 lei/litre. The representatives of the union of importers of oil products Importcompetrol explain this increase by the gas deficit that appeared on the market as well as the increase by 10 USD/tonn of the bulk price on the external markets. This concerns especially Ukraine, where most of this fuel is imported from. Another aspect of the problem is the fact that taxes constitute approx. 40% of the fuel price.

### Target group

- Importers of oil products;
- The population.

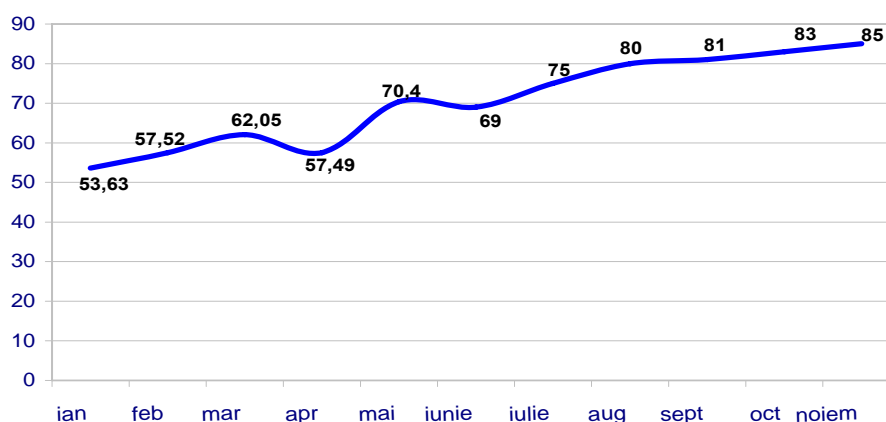
### Impact

The increase of gasoline prices, starting with June 25<sup>th</sup>, is only the first signal of some chained price increments. The oil products are used, mostly, for transport (46%), households (37%) and agriculture (12%). In addition, it is expected that the increase of the fuel price would lead to the increase of the prices of another series of goods and possibly the transport service of goods and passengers.

The rise of the carburant price makes the cost of living get higher, especially for the socially vulnerable layers of society.

### Dynamics

Dynamic of the Brent oil price in 2007, USD/barrel



Western experts are ringing the alarm, affirming that in the near future we have the most dramatic petrol crisis in history awaiting. The price of petrol registered in November 2007 at the New York Stock Exchange reached record values, surpassing 90 USD per barrel.

From 2002 until 2006, the oil price has grown by 43%. To eliminate any speculations that in Moldova the carburant price is established by cartel agreements, the last price increases from November 2007 vary in function of the importer, unprecedented case.

The petrol-businessmen claim that they increase the prices because of the increase in the exterior and affirm that they do not violate the profit limit imposed by the law – 10%.

## **Factors**

- The quota of oil products at international stock exchanges determines directly the price on the internal market;
- The lack of our own oil or gas resources.

## **Anticipations**

It is anticipated the constant growth of carburant prices. Under these conditions, the prognoses of some experts that the oil price could surpass 100 USD/barrel do not seem too speculative. Incredible, but 4-5 years ago the prices oscillated between 25 and 30 USD/barrel.

For Moldova, besides the increase of internal prices of oil products, this will imply a increase of the price for imported gas. However, the contract signed at the end of last year with Gazprom, specifies that starting with 2008, one of the criterions for establishing the price of gas will be the international quota of oil and its derivatives.

## **Questions**

- How is the national economy affected by the increase of the carburant price, and even more importantly, how does that influence the growth of inflation?



## E 18. The low competitiveness of domestic products

### Subject

The Moldovan economy suffocates under the burden of production costs, which makes the domestic products to become uncompetitive.

### Description

In the absence of modern technologies and qualified intellectual capital, due to the still high cost of loans and the high level of inflation, the production cost increases, and the competitiveness of local products suffers. It is paradoxical how, in Moldova it is very expensive to produce, even though the work force is extremely cheap (only 60-80 Euro per month). What would we do if the majority of Moldovan enterprises would have to pay monthly salaries like the ones in the countries that have recently joined the EU, where the price of the work force is no lower than 500 Euro per month.

At almost equal prices, a Moldovan is paid for his work averagely 20 times, or even less, than a Frenchman or an Italian and about 6 times less than a man from Poland or Hungary. With our average monthly salary, about 100 Euro, we are placed somewhere at the bottom of Europe. That is normal, as long as the efficiency rate is much higher in the western Europe than in Moldova.

Some economists affirm that every evil leads to good. Abiding the theory of comparative advantage, launched by the classics of political economy, the Moldovan subsistence salaries would be a great advantage. That's the theory. But we see that, for years, we haven't been able to attract significant foreign investments in the economy or to cash from the exports, in 12 months, more than 700-800 million USD. Only since 2003, we leaped the threshold of 1 billion USD, but we are still much below countries of our own category, like Slovenia or Croatia. Although the numbers of export cashing have grown, they are very much behind those of the import. The reason for that fact is that Moldovan products lack exactly the most well paid component in the international commerce: the contribution of creativity.

The lowest productivity in our economy is in agriculture where more than half of the active population of the country works.

Certainly, the fertile land is still our richness and an important potential for Moldova. However, in the absence of increasing productivity, we think that maybe the rational thing to do would be reorienting towards services? For example, if we build on territory of 0,1 ha of land a building where some IT specialists would work, than you can be sure that in a day they will earn more money than some agriculturalists in a year. Therefore, we should invest, in innovation, in those branches where the capital and human potential are predominant.

The best example to bring out the low competitiveness of domestic products and the vulnerability of autochthon companies to external shocks is the wine crisis that showed the incapacity of the local producers to orient their exports to other markets than the traditional one.

More than that, viticulture is a sector of intensive work, and the migration processes take flight, so, consequently, soon there will be nobody to work the grape vine. The certain thin is that Moldova is losing its comparative advantage in viticulture, and this is accompanied by the stabilization of world wine consume, so we can conclude that expanding the production capacities of the industry is meaningless.

To enhance productivity of the economy, Moldova needs direct, intensive investments in utilizing modern technologies, even in agriculture. Of course, forbidding the sale of the land to non-residents represents a foolish thing that reduces to zero the affirmations of the government about improving the investment climate. None of the economic miracles of the 20<sup>th</sup> century has ever been owed to agriculture. We do not think that Moldova will prove itself to be an exception to this rule.

### Target group

- Economic agents from Moldova, including exporters;
- The Government of the Republic of Moldova.

### Impact

The low competitiveness of export products affects firstly the capacity of the companies to penetrate and conquer foreign marketplaces.

In the absence of economic policies oriented towards support and protection of the autochthon producers, they are not even able to satisfy the increasing demand on the internal market, moreover, to conquer external markets.

In this situation, the total volume of exports remains much behind the imports.

## Dynamics

The lack of an efficient economic policy over the last 5-6 years, the inadequate behavior of the authorities towards the business environment and miming the reforms led to the creation of an unbearable environment for business and, as a consequence, the decrease in the volume of industrial production. The saddest thing is, that this decrease is associated with the interdictions imposed by Russia and not with the incapacity of the government.

According to a ranking on economic competitiveness based on an annual report of World Economic Forum<sup>1</sup>, the organizer of the famous Davos forum, the Republic of Moldova is placed on the 97<sup>th</sup> position, among the 131 states present, and is descending by 11 positions. Besides this evaluation that was made relying on an indicator that measures the potential for economic growth on medium and long term (5-8 years), World Economic Forum has also taken into account factors that contribute to the present productivity. Sadly enough, countries like Namibia or Botswana, that were not long ago haunted by famine and civil wars, that don't have neither our aspirations or our possibilities, are ahead of us.

## Factors

- Constant appreciation of the national currency that depreciates the cashing in foreign currency or the ones from the export;
- The work force has become more expensive, but the productivity is still the same;
- Low productivity of the agricultural crops per hectare;
- Lack of support from the state by subsidies for the export;
- Insufficient modern technologies and equipment, efficient facilities for the producing activities;
- Lack of a successful campaign of image promotion for the country, oriented towards the consumers of Moldovan products.

## Anticipations

The competitiveness builds over time, because it is influenced by many factors. A reform that tries to change everything will be destined to fail because of the simple reason that the coordinated solving of this problems (like SCERS for example), is out of the power of any government. An efficient and realistic approach would identify the most acute problems that affect the investment climate and would set to resolve them one by one.

The authorities still don't realize what are the real priorities of the Republic of Moldova and so there are no significant changes anticipated for the following years.

## Questions

- Why do local products have a low competitiveness?
- How can the local producer be supported and how can the productivity be enhanced?

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<sup>1</sup> [http://www.weforum.org/pdf/Global\\_Competitiveness\\_Reports/Reports/gcr\\_2007/gcr2007\\_rankings.pdf](http://www.weforum.org/pdf/Global_Competitiveness_Reports/Reports/gcr_2007/gcr2007_rankings.pdf)

## E 19. The underfinanced infrastructure

### Subject

For 15 years, the national infrastructure has been underfinanced, and that led to its complete degradation.

### Description

To renovate the infrastructure at an acceptable level, it is necessary that, for 15 years, 7,1% of the GNP to be allocated for that matter. The annual necessities of financing an infrastructure that is still at an initial stage constitute 500 mil. Euro. This sum is bigger than the expenses for maintenance and development of the infrastructure, because a considerable part of the resources will be allocated to recover old roads and build new ones. Because the Republic of Moldova didn't finance at all its infrastructure for a much too long time, it is necessary to substantially increase the financial effort, at least by 50%. On the other side, the infrastructure expenses are relative comparable to those of the countries recently adhered to the EU, while our GNP is clearly inferior. Because of this, the expenses are much bigger as a share of the GNP.

Another problem concerns the lack of an industry in the infrastructure domain. We need enterprises that produce asphalt, water pipelines, enterprises that operate in constructions and have modern technology and equipment.

The investment in developing these industries rises up to 1,5 billion Euro. Obviously, the public sector does not have the capacity to finance the infrastructure industry and it is not rational, in order to reach that goal it is necessary to attract private capital.

The most efficient solution would be to support public partnerships based upon a national strategy of infrastructure development, elaborated in mutual agreement by the authorities, international financial institutions, public local authorities and the business environment.

The basic impediment in attracting external finance is the lack of decentralization of the public finance system. But, since 70 % of the infrastructure is situated at a local level, the decisional centre of financing is at a central level. Without real decentralization and creating strong actors at a local level, it is not possible to create partnerships for financing an infrastructure and attracting external resources.

### Target group

- The Government of the Republic of Moldova;
- Economic agents;
- Potential investors.

### Impact

The deplorable state of Moldova's infrastructure negatively affects firstly the image of the country, that being the first symptom of a country's level of development. The foreign investors often mention this problem, the infrastructure being a key-element of the investment climate. Another negative impact is, of course, the faster run-out of the means of transport circulating on the degraded roads.

### Dynamics

To ensure a normal infrastructure renovation process during the first 5 years, an effort is needed to allocate 15% of the GNP, with a gradual reduction to 7%. Obviously, Moldova cannot ensure this financial effort by its own internal means it requires external financing of at least 300 mil. Euro annually.

#### Minimal financial necessities for developing the infrastructure

	Millions Euro	% from GDP
Roads. Modernization and reconstruction to an average European density	500	1,0
Railroads. Modernization and reconstruction to an average European density	200	0,4

Telecommunications. 35 phone lines per 100 citizens	450	0,9
Waste disposal. Modernization and arrangement of cesspools	300	0,6
Education. Renovation of the educational institutions	250	0,5
Water / Sewage. European standard of collecting and processing	850	1,7
Energy. Developing the networks, petrol, gas, reform of the thermo-energetic department	850	1,7
Environment. According to the directives of EU in the domain of water and air pollution	150	0,3
Many expenses in the first stage. Because during the first years it is necessary to invest 15% of the GDP, the effort for the whole period is of +4% GDP.	2000	4,0
<b>TOTAL</b>	<b>5700</b>	<b>11,1</b>

*Source: Calculation according to the methodology of Public Private Partnerships in the New EU Member Countries of Central and Eastern Europe: An economic Analysis case Studies from the Highway sector, EIB Papers, Vol 10, No. 2 (2005)<sup>1</sup>*

Moldova's road network cumulating 9,5 thousand km in length, out of which 3,3 thousand km – national, and 6,1 thousand km - local. Around 67% of the national roads and over 75% of the local roads are in a precarious state. Over 90% of the road network in Moldova has its term of service surpassed.

On June 28th 2007, the Government of Moldova filed an agreement for a credit of total value of 60 mil Euro, for the realization of the „Project on support of the programme in the road sector.”. BERD and BEI are allocating to Moldova, credits of 30 mil. Euro each. The means will be given in two stages: first 12,5 and then 17,5 mil. Euro.

Even so, the roads of local importance will be restored by traditional techniques, using the reconstruction with white stone, which requires covering the road with gravel. Obviously, this method has lower costs for the works and the materials, but it would be curious if this would contribute to the modernization of the infrastructure and the approaching to the European standards in this area.

## Factors

- The deficiency of financial resources necessary to be invested in the infrastructure;
- The absence of an industry in the domain of infrastructure;
- The lack of decentralization of the public finance system, the absence of strong actors at a local level.

## Anticipations

The construction sector of locative real estate is rapidly growing; the investor's interests for the enterprises from the construction sector are just starting to form. The perspectives, on a medium term, for the construction sector and the one of street exploiting, are of improvement for the economic-financial indicators, including the growth of the demand for services.

## Questions

- What is the necessary financing for infrastructure development?
- How could Moldova attract foreign investors in projects of public and private partnership?

<sup>1</sup> Economic Monitor: analyses and trimestrial prognoses, Nr. 10/Q2 2007, IDIS „Viitorul”

## E 20. Rudimentary capital market

### Subject

In spite of the registered successes by the bank sector, the quota of the financial sector in the GDP is small, because the markets are superficial and some elements of infrastructure are missing.

### Description

A functional capital market presumes the active involvement of all the participants: investors, financial intermediaries (bank or stock exchange) and capital solicitors (issuers of titles).

There are great expectations set upon the National Committee of the Financial Market (CNPF), recently created. It will probably be responsible for regulation of the participant's activity to the capital market and facilitation of their interaction. In developed countries, the mobile values of market play a key role in the economic system. Unfortunately, in Moldova, the capital market almost does not exist. The main cause is, of course, the lack of attractiveness and guarantee for the issued titles. This attractiveness means, firstly, the capacity of the mobile values to generate profit. Another aspect of the problem is that, practically, there are no stocks circulating. All the companies have majority stockholders that do not want to sell their stocks. So, there is a demand, but not an offer. Another cause of this problem is the fact that in Moldova there is no tradition to invest in corporative obligations. For the management of the companies the only source of financing is the bank credits and their own financial resources. As a consequence, the development of the capital market depends directly on the capacity of the title issuers (economic agents, banks, financial-monetary institutions, etc.) to attract autochthon and foreign investors. However, when it comes to the investment environment, Moldova has little to offer<sup>1</sup>.

The state also issues titles, but the profitableness of the value coupons issued by the state is decreasing. As a consequence of inflations acceleration, the investors have revised their strategies, giving clear signs that they are no longer interested in those titles. To ensure the placement, the National Bank and the Ministry of Finance had to accept the significant increase of the interest rate paid to the owners. In particular, at the auction on October 2<sup>nd</sup>, the nominal rate for BT-91<sup>2</sup> was of 13,60% (compared to 11,20% at the last session in September), and at the auction on October 9<sup>th</sup> – already 15,45%.

The only titles with increasing profitability are those from the bank domain. This way, even though the volumes are rising, the stock exchange does not evolve, because at the Stock Exchange of Moldova, over the last period, the tender offers are becoming more and more attractive, while the interactive transactions specific to this kind of institutions remain in the shadow.

The major problem with finding financial resources for a possible issuing of obligations is the great precaution of the institutional investors (banks, insurance companies, investment funds, etc.), let alone the natural persons that manifest scepticism towards this kind of titles. The high value of the bond requested at this time by the law creates a major impediment in the way of adopting a decision by the companies willing to apply to an obligation issuing.

In general, comparing to the regional situation, the prices of the stocks are underestimated, which is a very good sign for the investors. If for an investor from the Republic of Moldova the prices can seem a little high, for a foreign investor these prices are of course, with some exceptions, small.

### Target group

- Investors, offering capital;
- Economic agents, that can be title issuers or title buyers;
- Commercial banks;
- Insurance companies;
- Investment funds;
- CNPF.

<sup>1</sup> See problem 27, Impediments created for foreign investors

<sup>2</sup> Treasury coupons with the payment date of 91 days

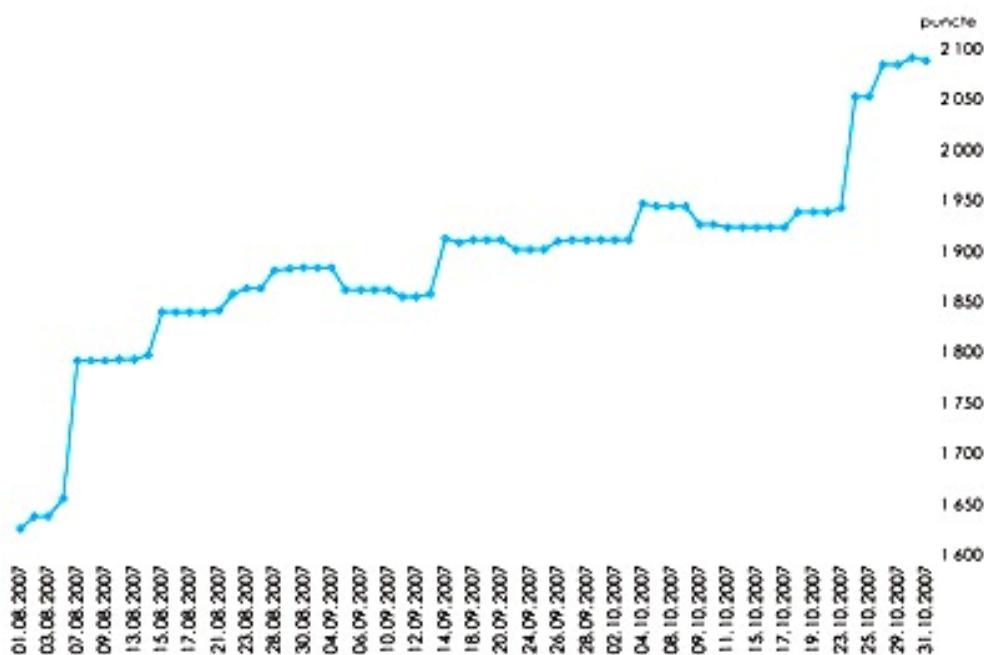
## Impact

As a component of the financial market, the capital market and its development contributes to the increasing of the financial sector's share in the GDP. Respectively, the primitivism of this market in Moldova affects the attractiveness of the economy, meaning the investment climate.

## Dynamics

In 2007, for the first time, the transactions at the Stock Exchange reached the level of 1 billion lei in October, and by the end of the year, there will be some more hundreds of millions. This way, the EVM-Compozite index increased to the value of 2000 points, which would mean that from its launching and to October 2007, the prices at the stock exchange increased, by the average, two times. These are some quantitative aspects that show the tendencies of the market.

**Evolution of the EVM-Compozite index**



*Source: The Stock Exchange of Moldova*

The rise of the stock exchange has substantially influenced, and the EVM-Composite index increased in this period, by over 430 points, which is an excessively large increase<sup>1</sup>.

The continual growth of interest towards the actions of the commercial banks attested in 2006 and in 2007 – by the stock packages as well as by the singular stocks exposed for sale, could be explained by the fact that the banks are becoming more and more open, from the point of view of publishing information about their activity and the financial indicators, and also from the point of view of the accessibility to buy investment stocks. The high profitability corrected to a period of 1 year is net superior to the present interest rates of the banks. Mainly because of the high profitability that can be obtained through the “game” of stocks, the capital market arises more and more interest, especially for the bank stocks. For the stocks of the companies from the real sector of the economy, with few exceptions, we still cannot speak about a certain degree of liquidity.

The year 2007 is the third year in a row when on the real estate market of Moldova we register issuing of corporative obligations. However, it is still difficult to identify a clear tendency on the market; even though the good results of some issuing with the modifications of the legislation could constitute a factor of positive influence for the continual development of the market.

<sup>1</sup> See: Business Intelligence Volume 1 Nr 12, IDIS „Viitorul”

If in the last years, except 2002, the obligations practically were not used to attract financial means into an enterprise, then the year 2005 can be considered a year of start for the market. In 2005 seven joint stock companies registered prospects of the public offers of obligations with a total value of 23,41 mil. lei.

This year we can sense some profound mutations that concern the types of participants to the market, the ways of making transactions but also the goal of the transactions. A few years ago the main players were the investment funds, that held significant packages obtained after privatization, at present the funds practically have left the market, the only transactions made by these are their liquidation, in return, more and more independent investors “enter the game”, persons who own important packages of stocks. This year, we already have a significant sign of interest from the foreign investors to insignificant packages of stocks, meaning insignificant sums for them, some tens or hundreds of thousands of euros, but which over a period of three-five years will have a much higher price. Today the market is at a very low level, from the point of view of the prices, compared to the European markets, and this is attractive to them.

The local market of fusions and acquisitions had a good strong start in the 2007 year, by a transaction that brought down more than one internal record. On January 4<sup>th</sup> 2007, the French financial group Societe Generale (SG) bought, through Moldova Stock Exchanges, 70,56% of the Mobias banca stocks, at a total price of 313,9 mil. lei (over 24 mil. USD/18,5 mi.. euro) or 62,51 lei for one stock (in total 5 021 651 stocks). Still, this transaction cannot serve as a basic indicator in establishing the general tendencies of the market in the year to come, but it can be examined from the perspective of its capacity to influence the ulterior evolutions. We have to appreciate positively the fact that the value of the stock acquisition transactions, made by the non-residential investors, increased three times during a year<sup>1</sup>.

## Factors

- The population does not have enough knowledge about this domain (potential offers of available means);
- Weak financial intermediation;
- Inflation growth;
- Relatively high prices for the financial resources;
- Unattractive climate for investments;
- The lack of guaranteed funds of investment as stocks or obligations;
- A new regulation frame of the insurance sector;
- Vicinity with EU stimulated the change of the situation on the real estate market, increasing its attractiveness.

## Anticipations

Next year, major changes are expected, connected with the new amendments to the law concerning the real estate market, which refers to the professional participants of the real estate market. The licenses will be issued differently, there will be other requirements for the participants and the conditions doing transactions will also change. After a few months of activity in the context of the new legislation, we will be able to see if it facilitated the development of the market, or it impeded it

By the signals coming from the market, next year we will assist to an increase in the prices and volumes of transactions. More and more companies will begin to realize the importance of using the capital market, and will do even more stock issuing.

The process of acquisition of bank stocks in the Republic of Moldova will continue to take amplitude. In 2008, the second bank in Moldova (by size) – Banca comercială, Banca de Economii SA, with a state budget, will be evaluated and prepared for stock selling. In addition, it is expected a growth liquidity for the stocks of several banks.

## Questions

- How can the foreign investors be attracted to place capital in the autochthon companies?
- What are the causes of the under-development of the capital market?

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<sup>1</sup> Vezi Business Intelligence, Volumul 1, Nr 15, 2007, IDIS „Viitorul”

## E 21. Real estate market in an indecisive stability

### Subject

The situation on the real estate market is uncertain because the demand level is below the level of the offer, and the fiscal instruments of payment are limited.

### Description

At the moment, the real estate market in Moldova is on the brink of a crisis. It is not the type of crisis everyone would expect (price falling), it is the crisis of our Moldovan market, when nobody buys. The main problem of the real estate market in Moldova is not the lack of financial resources for real estate acquisition by the population; it is the fact that the market is primitive and unformed in the domain of financing real estate that offers inefficient and extremely expensive solutions.

We have reached the stage when, in order to maintain the continuous development of the real estate market, restructuring is required. Besides the existing mortgage system, it is necessary to implement other financial solutions, like cooperatives and economic associations etc.

The developing of the market and the diversification of the financing solutions for buying an immobile will reduce by two times the costs of obtaining financial resources, meaning it will enhance the buying power of the population.

The most efficient solution to develop the real estate industry in the shortest amount of time (maximum 3 years) is to attract foreign capital, inclusively by issuing stocks and obligations. Attracting an investor or a strategic partner will bring, on the real estate market of the country, efficient management, modern technologies, advantageous relations with the providers of construction materials and new financial instruments.

An impediment in attracting investors to the construction sector is the fact that, the allocated territories are very small, which does not allow the development of a large construction industry. To expand his business, a strategic investor needs a territory of at least 10-20 ha. This means it is necessary to revise the conception of urban development.

### Target group

- Real estate agencies;
- Population;
- Commercial banks;
- Mortgage agencies.

### Impact

We must mention that at this point, only in the Chisinau municipality, 70 thousand families are waiting for an apartment. For approx. 9 thousand of them, according to the active law, the state must provide apartments.

Another factor that lowers the interest for real estate investment, and especially real estate demand, is the continuous diminishing of the profitability indexes of the locative fund. The average annual profitability for the apartments in the capital is smaller than the profitability of deposits.

### Dynamics

On the background of an increasing demand for locative spaces, the rapid growth rhythms of the construction sector of averagely 20% in the last five years and, respectively, an explosion of prices (from 15-160 USD/m<sup>2</sup> in the beginning of 2002, until an average of 800 USD/m<sup>2</sup> at the beginning of 2007), transformed the real estate market into a highly interesting zone for different companies, and also for placements.

In comparison to the year 2001, the prices on the secondary locative immobile market have increased seven times. According to the data of the real estate agency "Laura", at present, the greatest demand is for apartments appraised in the range of 25 - 40 thousand euros.



The tendency of growth of the apartment prices has maintained during the first year of 2007, on the account of the difference in exchange rates of the Euro and the USA dollar, affirm the real estate experts, while the volume of transactions has decreased insignificantly. The demand is supported by the money transfers from abroad and the increase in the number of transactions made with crediting resources.

In the period of 2006-2007, the share of migrants in the number of buyers became considerably smaller than it used to be in the past years. Many of them passed the legalizing procedure in the countries where they work and have no intention of returning in the near future.

According to the National Bank of Moldova, the sum of the credits for immobile, construction and development, which include the mortgage loans, has risen from 401 million lei , in 2003, to 1 billion 466 million lei in 2006. Last year the amount of these credits doubled compared to the precedent year. Only a few years ago, nobody heard of long-term credits for houses, and at present, there are already offers up to 20 years, with annual interest of 12-13%. Along with the apparition on the market of organizations of non-bank crediting, the competition in the domain of mortgage financing has increased.

## **Factors**

- The growing volume of remittances increases the buying power of the population;
- The demand for mortgage credits has increased.

## **Anticipations**

The experts of the real estate market anticipate a rapid growth of mortgage credits in the next years. It is possible that the amounts double from one year to another. The loans will come not only from the banks, but also from the new non-banking participants on the market. Some banks could demonstrate a higher specialization in credits for apartments and this will make them more accessible.

Overall, the construction sector will continue its ascent, even if the situation in the locative immobile sector is still uncertain, we cannot be sure that the high growing rhythms will be maintained.

The probability of a decreasing of the locative space prices is very small, but a spectacular increasing leap cannot be anticipated either.

## **Questions**

- What financial payment instruments can a citizen use to purchase real estate?
- What is the role of the state in ensuring the population with a locative fund?

## E 22. Small diversification of exports

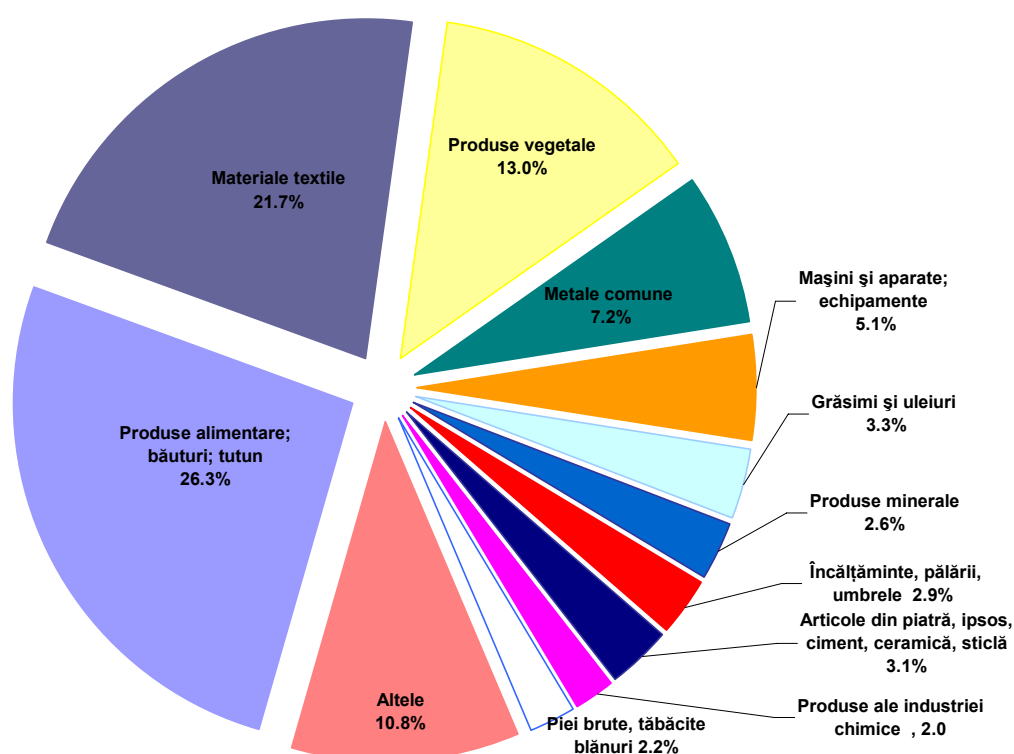
### Subject

The export of the Republic of Moldova is weakly diversified from the point of view of the merchandise available and also from the point of view of the marketplaces, and this affects the dynamic of the trade balance.

### Description

As we saw in the problem E 10, the remittances accompanied by the migration of the active work force lead to a decrease of the number of goods produced in the country, the decrease of the export competitiveness, and, so to speak, to a over-concentration of the products destined to the export. Still, the weak diversification of exports is usually characteristic for small countries.

**The share of product categories in the total export for 2006**



*Source: National Statistic Bureau, Without the export by physical persons*

Taking into account that Moldova is an agrarian country, it is evident that in the traditional export predominate agro-alimentary products, summing 463,93 mil. USD. Out of this sum, the greatest share belongs to the wine products (161,76 mil. USD). The wine crisis is the most eloquent argument that a strong concentration of exports on a few product categories can be risky and makes the economy vulnerable to any changes of situation, on the marketplaces.

Concerning the structure of the national economy, the evolutions over the last years have made it clear that viticulture, a traditional branch of the national economy, is not capable of ensuring us a sustainable growth. For that reason, the state subsidies should be oriented towards other branches, that have a higher export potential, including the service domain, especially, services that require qualified human capital (IT for example) and at the same time towards qualifying and specialization of human resources according to priority domains.

### Target group

- Exporters;

- The Government of the Republic of Moldova.

## **Impact**

A low diversification of exports, as a rule, does not bring losses, but failure to get specific profits, and it also enhances the vulnerability to changes, to external shocks. The structure of the exports depends directly upon the branching structure of the economy. Accordingly, an inefficient or unwise structuring of the branches of economy reduces the potential advantages of the population concerning the exports, compared to other countries, in other words, it affects negatively the Trade Balance, and on a long term reduces the potential of the national economy.

## **Dynamics**

During January-July 2007, the structure of the exports, divided into groups of merchandises, has suffered essential changes. Out of the total volume of the exports, the share of the agro-alimentary products decreased to 37,1%, compared to 47,1% in January-July 2006. This decrement was registered, especially as a result of the barriers imposed on the import of some agro-alimentary products from Moldova on the traditional export markets, and also because of the increasing rhythm of growth of the export for the other groups of merchandise. In particular, there were registered essential increases of export in the production of furniture, glass industry, the industry of building machinery and of processing metals, and the processing of some agro-alimentary products of vegetal category: fats and oils of animal or vegetal origin, products made from fruit and vegetables.

## **Factors**

- Limited resources;
- Arbitrary subvention of the economic branches and sectors;
- Low competitiveness of the products;
- Remittances and migration.

## **Anticipations**

Starting with 2008 it is anticipated a certain increase and diversification of exports, taking into account the fact that the EU has given us Commercial Autonomous Additional Preferences.

## **Questions**

- How can the branch structure of the economy be made more efficient?
- How can the exporters from the branches and sectors of high profitability be encouraged?

## E 23. EU commercial preferences – unexplored benefits

### Subject

Moldova's inclusion in the asymmetrical trade system with the EU offers an extraordinary chance for the country's economy, but this opportunity could be compromised by the incapacity of the entrepreneurs to reorient towards the European market, and by the low quality of local products.

### Description

The general preferential trade system of the European Union, that came into effect for the Republic of Moldova on 1<sup>st</sup> of January 2006, includes 7200 names of merchandise allowed without customs taxes on the European market. The Republic of Moldova exports in EU approx. 700 groups of merchandise, of which 607 groups fall under the incidence of GSP Plus. Still, Moldova was not able to make full use of the possibilities of the GSP + system, only at 60%.

One of the causes could be the low quality, but also insufficient and inefficient promotion of the export products. This way, the commercial enterprises of Moldova were not ready to benefit from the advantages of the GSP system, in the absence of qualitative advantages of the merchandise.

Another aspect is the assurance of certification infrastructure, meaning the implementation of specific measures to encourage the enterprisers to apply the quality standards, the sanitary standards, so that they will be able to benefit fully from these autonomous trade preferences. Consequently, not only the public authorities need to make an effort, but private companies too.

Finally, the Autonomous Additional Trade Preferences "are necessary, but not sufficient"<sup>1</sup>. Businessmen should be informed about the new system, to avoid repeating the situation with GSP+, when 80% of the businessmen never heard of it, and those who did – did not know what it meant<sup>2</sup>.

### Target group

- Producers from Moldova;
- The Ministry of Economy and Commerce;
- The Customs Service.

### Impact

This problem has an impact on the country's exports and on the accumulations in the state budget through the income tax. The Moldovan producers' incapacity to export affects the trade balance at the moment, and this problem also has an image impact.

The Moldovan products are not competitive enough to win on the European market, and the reorientation of the external commerce, after the deterioration of the relations with Russia, has not taken place because of the incapacity to satisfy the requirements of the European market.

### Dynamics

Starting with the year 1998, the Republic of Moldova, among other states, benefits from the Generalised System of Preferences (GSP) given unilaterally by EU, and which has modernised starting with January 1<sup>st</sup> 2006.

The Government hopes that the decision of the European Commission to obtain the approval of the member countries of EU, so that the Republic of Moldova could benefit from the System of Autonomous Additional Trade Preferences, starting with January 1<sup>st</sup> 2008.

### Factors

- Lack of competitiveness of the Moldovan products;

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<sup>1</sup> Alex Oprunenco, Independent Analytic Centre Independent "Expert Group" for BASA Press.

<sup>2</sup> Alexandr Muravski, Economist

- Insufficient informing of the autochthon producers about the benefits of GSP plus, PCA;
- The amelioration of the economic relations with Russia.

## **Anticipations**

If the state could subsidize the export of agricultural products, as it is done in most of the European states, this would contribute to the increase of the volumes of production destined to export and would diversify the structure of the exports.

As soon as the Agreement was signed regarding the Preferential EU Commercial Autonomy, 87 % of the Moldovan exports benefit from the free access to the EU market. It also depends on the promptitude and receptiveness of the economic agents to comply with EU imposed standards. Nevertheless, everyone is expecting an improvement of the situation.

## **Questions**

- In the context of our country not being able to benefit from the advantages of GSP Plus, what is the point of PCA?
- Are the autochthon producers able to really benefit from the expansion of the trade preferences of export to EU?

## E 24. Inefficient country branding

### Subject

Moldova has a negative image abroad, and the authorities are incapable of doing qualitative PR.

### Description

In order to efficiently compete on the international market, every country or region has to be known for something: its values, people, ambitions, products, sights, or maybe a combination of these.

Analysing the western press, we will see that Moldova is usually mentioned connected to poverty, migration and other problems, but very rarely connected to its successes and economic opportunities. The name of “the poorest country in Europe” has been used far too often.

We have to admit, Moldova does not have many real advantages that would differentiate her from other countries of the region, but for the moment, the sole advantage Moldova has upon her neighbours is a polyglot labour force.

In 2006, the Organization for Promoting Export from Moldova (MEPO) spent 70 mil. lei for the creation of the brand of the Republic of Moldova, with the slogan “Discover us”. Some experts <sup>1</sup> qualified this logotype as unoriginal and unrepresentative for Moldova. Although attractive and well-executed, it is too sterile to be used in the promotion of Moldova as a tourist destination. Considered separately, the slogan “Discover us” sounds a bit dry. It perspires the slight desperation of a spinster whose Prince Charming on a white horse is not appearing.<sup>2</sup>

In December this year, MIEPO elaborated, with the financial support of TACIS, an advertisement that will be broadcasted on BBC for a week. The slogan was changed to „Let’s make it in Moldova”, and although better than the first one, it can be understood in many ways and it can be associated to different things. Very bad and cheap looks the „Make it in Moldova” written in red Stencil, diagonally, in the corner (and by this destroying the centred composition)<sup>3</sup>.

Generally, the advertisement is quite well-executed, but we are still very far from a veritable publicity campaign. And, country marketing is not over with the creation of a logotype and a video. It is like we painted the fence, leaving all the mess in the yard.

Consequently, founding the publicity campaign upon demonstrable and credible facts is primordial, like, for example, the existence on the domestic market of word-wide famous companies, the registration of performances in the international rankings, like “Doing Business” developed by the World Bank and IFC or the existence of notorious personalities, talented people, sportsmen, painters, etc.

Although the words brand and poverty are not compatible in one sentence, the reality of Moldova’s reputation as a corrupt country, dependant on external assistance, shadows even the few successes or economic accomplishment that we have. Of course, the strategy of promoting an image does not presume for us to pretend everything is all right when it actually isn’t. The flaws must be seen and presented as opportunities. The fact that we have a primitive infrastructure is an opportunity, for the enterprisers, to gain by investing in it.

We speak very often about promoting the image of the country abroad, but we forget that Moldova has a little rumpled image in the eyes of its own citizens. This of course has to do with the country’s mentality, national culture and dignity, etc.

The image of a country is usually formed by stereotypes. For example, when we say “German”, we immediately think of “correctness, precision, seriousness, a job well done”. Germany knew how to benefit from this advantage and promoted the slogan “Made in Germany”, meaning that the country is automatically associated with quality. Moldova should take advantage of the fact that is not known in the world and create the image that it wants.

### Target group

- The Organization for attracting investment and promoting the exports (MIEPO);
- Moldova’s Government.

<sup>1</sup> [http://www.culiuc.com/archives/2006/05/moldova\\_brand.phtml](http://www.culiuc.com/archives/2006/05/moldova_brand.phtml)

<sup>2</sup> [http://www.markmedia.ro/article\\_show.php?g\\_id=682](http://www.markmedia.ro/article_show.php?g_id=682)

<sup>3</sup> [http://www.culiuc.com/archives/2007/12/moldova\\_bbc\\_ad.phtml](http://www.culiuc.com/archives/2007/12/moldova_bbc_ad.phtml)

## Impact

The image of the country abroad plays an important role in the promotion of domestic products on the external markets, attracting foreign investors, tourists, etc. Respectively, a negative image affects first of all, the investment climate and the competitiveness of the products.

## Dynamics

In one of his books, as an example of a total failure country, where the transition process took place by “the worst case scenario”.

Moldova remains to be a country that is quite unknown in the world, respectively, it should seize the opportunity of creating the best image and brand possible.

Through the creation of the advertisement destined to the investors (especially English ones) and broadcasting it on BBC, the mistake of the precedent brand is somewhat resolved, the mistake that it was one brand for a heterogeneous auditorium (tourists, consumers of Moldovan products, business partners and investors). The next step the investors make after they have seen the advertisement is to access Moldova’s official site. Consequently, factors like accessibility and quality of the official sites, the quality of translations posted on the sites, the aesthetic aspect etc. become enormously important. If we access the site [www.miepo.md](http://www.miepo.md) or [www.moldova.md](http://www.moldova.md) we see that the information is badly organized, and the design is not as good as it could be.

Moldova has some more handicaps that affect the image of the country. For example, we have to work on the quality of the services we offer. The Moldovans still have not learnt to smile to the client, to the service consumer. If the government would invest at least 1/3 of the money given for the creation of Discover us! Moldova brand to courses of “customer care” for the employees in the service sector: from the offices at the border (who should smile and tell everyone: Welcome to Moldova!), to the waiters and taxi-drivers, Moldova’s image would be completely different. Even the emigrant citizens would return home more gladly.

Another handicap of ours is the lack of highly qualified and competent specialists in the key-functions of the state, for the officials and dignitaries that represent our country abroad are the main promoters of the country brand. If they cannot speak well even the Romanian language, we cannot expect them to have high performances in speaking foreign languages. Promoting an ambiguous message and feeble knowledge of the diplomatic ABC reduces the government’s credibility.

Another thing that seriously affected the image of our country was Russia’s embargo on the Moldavian wines – our national pride. Unfortunately, our wines are exported mainly bulk, which does not allow to promote the domestic win trademarks.

## Factors

- The bad image of the country in the eyes of its own citizens;
- The absence of some famous accomplishments that we can boast about;
- The authorities lack credibility.

## Anticipations

On a medium term, we anticipate an improvement of the situation; the authorities are becoming more and more aware of the importance of the country brand. Brand means, firstly, reputation, and a good reputation is the hardest thing to get.

## Questions

- How do we promote the image of the country?
- What is the present image of Moldova abroad?

## E 25. Applying Value Added Tax on the import of equipment and machinery

### Subject

The introduction of VAT on the import of equipment and machinery has negative effects upon the development of the real sector of the economy, discouraging the autochthon producer.

### Description

In Moldova, it has become a tradition to let the payment of customs service upon the shoulders of producers or consumptions. In the case of finite materials import – products of large consumption – the VAT is recovered in 3 months. During this period, the importer credits the government with the paid sum of money. If machinery is imported, it takes 10 years to reimburse it and the importer has to credit the government for 10 years ahead without an interest rate. If an agent has to import finite merchandise and credit the government for 3 months or 20 years, he will chose the first variant. This law creates an inadequate situation, when the machinery is used until it reaches its limits. At this point, when the national economy needs re-equipment, applying this tax will be only an impediment to the economic agents.

### Target group

- Importers of machinery and equipment;
- Consumers;
- Workers.

### Impact

The impact consists in the fact that the autochthon production will not be developed, but the import goods will have priority. These actions, endangering the possibility of the producer to purchase expensive equipment and machinery, diminish the competitiveness and the modernization of economy. This fiscal policy inversed the economic priorities: the taxes (VAT) come before the moment of business and not after (the income tax). A real stimulant for a sustainable economic growth would be the introduction of the “zero” quota on VAT, applied for the import of equipment and machinery.

### Dynamics

The Value Added Tax on the import of equipment and machinery was introduced in RM in 2005. Today we see that the industry is weak because we lack investments. The Government does not fully understand the effect of applying the VAT, because instead of bringing income to the budget, on the contrary, this tax will diminish the income. This tax should be removed for at least 3-5 years, as long as it takes to re-equip our industry. The wish to attract investments means annulment of this tax.

### Factors

- The will of the state to collect more money in the budget, ignoring the interests of the business;
- The absence of some budgetary-fiscal policies that would stimulate the sustainable growth of the real sector of the economy.

### Anticipations

Autochthon producers will orient more and more towards the imports, because this business is more profitable.

### Questions



- What are the advantages and disadvantages of applying VAT for the import of equipment and machinery?
- How does this tax influence the economic agents?

## E 26. Giurgiulești Terminal – great investments, uncertain benefits

### Subject

The Giurgiulesti terminal has some heavy investment so far and even more in the future, but the “uses” still fail to appear.

### Description

During the year of '95–'96 the issue of energetic security of the state has been an active topic of discussion. At the time, the issue was comprehended erroneously. As a result, a terminal at Giurgiulesti was built, with the idea that it will be sufficient as an alternative source of energy, at least petrol. This terminal, from the economic point of view, is not viable because its capacities are reduced. Moldova is a small country and the petrol obtained from the Giurgiulesti terminal will surely have a higher price than other alternative resources. A contract was signed with AZ-Petrol that was not made announced public.

At 26 October 2006, the petrol terminal at Giurgiulesti has been put to use. This project is valuable on one hand, and disputed on the other. The terminal will have a stocking capacity of a million tons of gas and diesel oil for internal use. The total volume of investment used to build the terminal will be of 33 mil. USD at the end of the year; till the present day 26 mil. USD have been allocated.

### Target group

- Citizens;
- The Government.

### Impact

The contract with the Azeri companies was not made public. This means that some investors are given fiscal facilities – they will not pay VAT for a period of 8 years. If the Giurgiulesti terminal sells petrol for over 500 mil. Lei per year, then the state budget will suffer losses of 100 mil. lei every year. More than that, the terminal has been sold to a non-state company and is nowhere to be found. Thus, the situation results in budget losses, losses of money and relations with some dubious companies.

### Dynamics

The terminal from Giurgiulesti transformed into a difficult problem for all governments, starting with 1996 and till the present day. In 2007 the import of petrol started.

### Factors

- The existence of certain economic ambitions;
- Moldova's energetic dependence of Russia;
- The necessity of energetic resources supplies diversification.

### Anticipations

Administration's euphoria will come down when the calculations of investments and expenses will be lined down.

### Questions

- What is the terminal's construction real price and what is the actual price of the Azeri petrol in stock here?

## E 27. Impediments created by the state to the foreign investors

### Subject

The volume of direct foreign investments in the national economy continues to be modest, compared to the level of investments in the neighbouring countries, even at a regional level.

### Description

The importance of investments to our country is incontestable. Through substantial investments, we could increase the productivity of work<sup>1</sup>, competitiveness and our income.

The majority of the actions taken by the leaders of the country in order to improve the investing climate have a relatively weak echo in the business community from abroad, because the experience of those who have business in Moldova demonstrates the existence of a reality that is diametrically different from the image that those in power are trying to create.

The declarations of the Government, that the fiscal amnesty will encourage direct foreign investments are wrong and demagogical. The vast majority of the fiscal debts were accumulated by the autochthon enterprises<sup>2</sup>, and if the state intervenes by a policy that annuls debts accumulated by the local uncompetitive business, the foreign investors will be put in front of a disloyal competition. This negatively influences the attractiveness of investing.

The scandal between The National Agency for Protection of Competition (ANPC) and the foreign investor Sun Communication also discredits the intentions of the Government to improve the business climate, because the actions of ANPC were qualified as abusive and illegal by The Foreign Investors Association (FIA).

The main reason that makes Moldova undesirable for the foreign investors is the corruption and the partiality of justice, and starting from this point, “zero” quota on the tax for reinvested income has zero effect upon the investment attractiveness.

One of the unwise and even tendentious interventions of the authorities in the activity of foreign investors made the state budget lose a significant amount of money. For example, the condemnation of Moldova by CEDO in the case Bimer S.A. vs. Moldova, for infringing the right to protection of property, was a serious “stain” on the Government’s reputation and credibility. Bimer S.A., enterprise founded by foreign investors got a compensation of 520 000 euro, as material prejudice.

One real impediment created by the state against foreign investors is forbidding them to purchase agricultural territories. It is enough for them to buy 3-5% of the terrains, for the price to rise at least 10 times. This will lead to the capitalization of agriculture, it will bring new technologies, new strategic investors in this sector, who will develop it at least to a comparable level with the countries from our region. An effort, which is not so hard, with political assumed responsibility, would allow a growth in agriculture of at least 30-40% annually, for at least five years to come.

### Target group

- Foreign investors;
- Local economic agents;
- Workers from the Republic of Moldova;
- Consumers on the domestic market.

### Impact

The lack of foreign investment affects firstly the branches of the national economy that have a stringent necessity of considerable financial resources.

The unwise economic policies, the lack of credibility affect the attractiveness of the investment attractiveness. Respectively, the authorities should be more consequent in their efforts to attract foreign investors, which presumes the achievement of the undertaken commitment. In addition, it is necessary to have greater receptivity from the government for the recommendations of the investors.

<sup>1</sup> See Problem E 31 low productivity of labour force

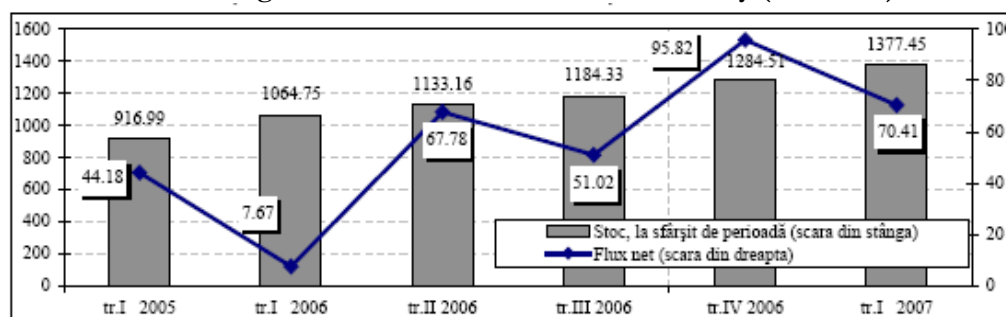
<sup>2</sup> See Problem E 12 the Fiscal amnesty – a threat for the fiscal discipline

## Dynamics

Foreign investments in Moldova's economy constituted 4,22 billion lei (\$350 mil) in the first half of the year and increased by 38,8%, in comparison to the respective period of last year.

Even so, we see that today Moldova is the last in its region and last in Europe by the rate of the direct investments volume attracted into the economy.

Direct foreign investments in the national economy (mil. USD)



Although the volume of foreign investments per inhabitant has reached the level of other CSI states, becoming 116,4 USD, estimated for 2007, the indicator is much lower than the one of the new members of the EU, like Romania and Bulgaria, where the level of foreign investments per inhabitant constituted, in 2006 - 529,2 USD and respectively, 672,3 USD. Consequently, by the level of investment, the Republic of Moldova is comparable to Romania or Bulgaria five-eight years ago.

The White Book for 2006 elaborated by the FIA<sup>1</sup> contains suggestions of how to improve the investment climate in Moldova, and presents as a general conclusion the fact the majority of the recommendations made by the White Book from 2005 were not implemented.

The main impediments that foreign investors face in Moldova are:

- Contradictions of different laws;
- The practice of modifying the legislation as a consequence of isolated abuses;
- The process of judge selection is not transparent;
- State Subsidies (annulment of debts, fiscal liberties of any other form) for the enterprises with state capital;
- Companies with foreign investment are not allowed to purchase agricultural territories;
- Low quality infrastructure;
- The customs posts have the role of fiscal supervisors, and they don't cooperate enough with the fiscal inspectorates;
- State intervention in the economy;
- Large number of control checks and inspections;
- Large number of reports;
- The mechanism by which the Government establishes the salaries in the real sector is based upon coefficients and the tariff grid, without taking into account the work productivity/rate of inflation/basic food basket;
- VAT for the machinery import.

## Factors

- High level of corruption;
- No interest from the public functionaries in supporting the economic initiatives;
- Poorly developed infrastructure;
- Rudimentary capital market;
- Impulsive governing, lacking decisive actions and a clear vision;
- Precarious legal context, arbitrary execution of the laws, as well as the general disinterest of the "cast" of

<sup>1</sup> <http://www.fia.md/wb/#t2>

state functionaries, that follow their own private business, with no concern for the anti-corruption programmes and the “guillotine” legislation.

## **Anticipations**

In 2008, there is anticipated an increase of the ISD volume. Continuing the efforts to improve the investment climate remains primordial.

## **Questions**

- Why do investors hesitate to place capital in the Republic of Moldova?
- What should Moldova do to improve the investment climate and to increase its credibility in the eyes of foreign investors?
- What does a favourable investment climate mean?

## E 28. The inefficiency of the National Agency for Protection of Competition

### Subject

The National Agency for Protection of Competition does not always succeed to impose itself argumentatively and to accomplish the mission it was created for.

### Description

All the efforts of the Government over the last years and the efforts of the Association of Foreign Investors targeted towards improving the investment environment are undermined by the abusive actions of the ANPC.

The Agency does not have a clear and transparent methodology that would allow determining of monopolies on the market and identifying disloyal and anti-competitor practices.

Sanctioning the economic agents, by applying a fee of 10% of the income obtained in a specific period of time, has no legal support. The law concerning the protection of competition states that “violations” are sanctioned according to the Code for administrative contraventions, which does not include this kind of fees.

The actions of the Agency have been accompanied by a media campaign, which was obviously misinforming the public opinion, which brought substantial prejudices and deteriorated the image of the economic agents.

The foreign investors have also expressed their deep concern for the intention of ANPC to “legalize” this kind of abuses, through promoting modifications of the Law for competition protection, discussed in a Government session. The authors select from the EU legislation only what suits the interests of ANPC: unlimited attributions and substantial fees.

The American Chamber of Commerce also declared that the law project proposed by ANPC is seriously bating away from the EU recommendations, from the European norms and standards.

The phenomenon of disloyal competition itself is approached in a wrong way in the law project, making confusion between anti-competitor practices and dishonest competition. This, just like the inclusion of the term “illegal competition” and “disloyal competition”, contravenes the national and international legislation.

It is not clear what will be the role of ANPC in determining the penal responsibility in the cases of “illegal” competition, or if the prejudiced agent will have to announce the Agency before he addresses the matter to legal trial in order to recover the prejudice. In the law project there is no explicit reference about the procedure of contesting the Agency’s decisions.

It is necessary to elaborate new laws that would include, among others: a clear legal procedure of fusion control, determining the relevant market and delimiting the vertical agreements (agreements between the dealer and the franchise), but also the right to judiciary hearing in order to assure transparency.

Also, this methodology elaborated by the Agency has to be published in the Official Monitor.

### Target group

- ANPC;
- The Government of the Republic of Moldova;
- Foreign investors;
- Association of Foreign Investors.

### Impact

Abusive actions of the ANPC will result into law suits that the ANPC will most probably lose. Respectively, this will have an impact on the financial means of the State Budget.

### Dynamics

Initially the Association of Foreign Investors was the one who chose in favour of creating in Moldova an agency that would protect the competition, in conformity with the Law of protecting competition, adopted

in 2000. “The absence of an agency specialized in competition protection was then qualified by the Association of Foreign Investors as a barrier in the way of direct foreign investments, and was mentioned in the first edition of the White Book, published by the FIA (in 2005). Ulterior to that, in the second edition of the White Book 2007, the apparition of ANPC was appreciated as one of the few successes, concerning the improvement of the investing environment, of the series of suggestions made by the FIA”. But, considering the recent evolutions, the expectations of the investors about the creation of the ANPC are compromised.

Until now, the Antimonopoly Agency fined the network Bomba by 9 million lei and the firm by 2,5 million lei, for disloyal competition. The institution declares that none of the two companies has paid the fees, but the agency has not appealed to juridical trial.

### **Factors**

- Incompetence of the ANPC employees;
- Lack of experience in elaborating mechanisms of market monitoring.

### **Anticipations**

In approximately 2-3 years, the legal frame of activity, as well as the methodologies and mechanisms of protecting the competition will be corresponding to the international standards and practices. Only then will we be able to say that ANPC is efficient and functional.

### **Questions**

- What are the real intentions of ANPC?
- Which competitors is the Agency protecting?

## E 29. Deficient management of external financing

### Subject

The capacity of Chisinau to absorb the international financial resources rises to \$70 mil. annually, 5 times lower than the necessary minim level.

### Description

International financial organizations and donors are often expressing their intention to offer financial support to Moldova, and if the authorities do not identify in time the key priorities, all these opportunities will be missed. The ability of the Government to bring arguments for the respective projects becomes crucial.

It is extremely important to change the status of our country: from a country that receives external assistance from donors, to a partner-country, that elaborates and implements joint projects with international financial institutions.

The main impediment in achieving this objective is the erroneous public finance system. All the decisions concerning financial resources allocation are taken at the central level, the financial autonomy at a local level is almost totally missing, although the greatest part of the infrastructure that needs financing is situated at a local level.

Even though, in the frame of the Prime Minister Office there has been a unit for coordinating technical assistance (NCU) since 2005, evident signs of change and improvement of the institutional engagements of coordination and management of the donor's assistance are still hard to observe. More than that, the activity of this unit is little known to the large audience, there is absolutely no coverage of it in the mass-media. The web-page created by this National Bureau for Coordination to inform those interested in the technical assistance offered to Moldova by the international investors, presents only old information. For example, it mentions the existence of 196 projects in action in 2005, but makes no reference to the 1,2 billion euro promised to Moldova at the Session of the Consultative Group of the Donors, which took place in December 2006, and it doesn't mention the National Plan of Development either.

This unit also does not post on the site, like it should, an exhaustive list of the investment projects and technical assistance projects that Moldova has benefited of and those taking place at the moment, and the results of their implementation.

The draught that affected Moldova this year accelerated the availability of international institutions to support Moldova financially and technically. For example, the European Commission (EC) intends to allocate macro-financial support of 45 mil. euro to Moldova. On a long term, CE is available to assist Moldova in implementing the reforms formulated in the National Plan of Actions, in the frame of the European Instrument of Vicinity and Partnership 2008.

The introduction of new instruments of cooperation like Twinning or TAIEX consolidates the abilities of CE to give consulting, expertise and to support the technical cooperation in the domains of regulation. A seminar of launching the Twinning instrument took place at the end of October, and the first twinning projects, including one of support for the Parliament of the Republic of Moldova, are in preparation.

CE assistance given to Moldova has increased over the last years, and an enhanced package of assistance has been available since 2007. Once the new European Instrument of Vicinity and Partnership 2008 (ENPI) becomes active, the strategic character conducted by policies of the assistance programmes offered to Moldova by CE will be consolidated. Consequently, the future programs of assistance for economic growth will be based upon the consolidation of good governing and democratic development, on reforms of regulation and of poverty reduction.

From this perspective, it becomes evident that Moldova's problem is not the lack of money, but sooner the inability to manage it efficiently.

### Target group

- The Government of Moldova;
- International financial donors;
- Local public authorities as beneficiaries of these resources.

### Impact



The impact of this problem is exclusively negative and reflects upon the whole country, undermining the development of economy.

In the context of political decisions to finance Moldova, the donors face practical problems of accomplishing the financing process.

Without a real decentralization of the public finances, it is not possible to attract external financial resources for renovating the infrastructure. Moldova is the only country in Europe where BERD has no possibility of financing public projects, because there are no credible local partners with their own financial capacities. Also, just the statute of equal partner can assure a substantial increase in the financial flows to the Republic of Moldova.

## **Dynamics**

In the past years, Moldova has proven the incapacity to assimilate the external financial resources. The volume of external credits per inhabitant is 10-15 times bigger than in other countries from the area. In 2005, Moldova attracted 68 mil. USD as grants and external loans.

On 12 December 2006, the international donor community promised Moldova financial support of 1,2 billion euro for various programs of national development. Certainly the decision of the international donors to provide our country such an amount of money was a political decision.

The availability of this money is still on an intention level due to the incapacity of the Government to assimilate these resources. A year has passed from the Donors Consultant Group meeting in Brussels, but nothing happened that would prove that the process of attraction of financial resources has begun.

The only activities that were registered on the segment of the World Bank and the European Bank of Reconstruction and Development (EBRD), the institutions that had even before the December meeting, visions and strategies regarding Moldova. Moreover, these institutions are obliged through their essence to cooperate with the governments of the so-called “difficult” countries as Moldova.

The worst thing is the fact that these financial resources did not come as a result of projects proposed by the Government but as a result of the projects elaborated by the main external donors and financiers made up especially for poor and difficult countries.

## **Factors**

- External shocks suffered by Moldova in 2006;
- The draught from the summer of 2007;
- Accomplishing the engagements taken in the Memorandum concerning Economic and Financial Policies (MEFP) closed with FMI.

## **Anticipations**

Consequently, to start the process of a more efficient absorbing of international financial resources it is necessary to accomplish two things, no later than 2008:

1. Decentralization of the public finance system;
2. Elaborating projects of development in partnership with the society and the national business.

## **Questions**

- What is the capacity of the Republic of Moldova to absorb international financial resources?
- What are the practical problems confronted by the international donors at the moment of implementation of investment projects in Moldova?

## E 30. Budgetary crisis in the Transnistrian region

### Subject

The Transnistrian region is confronting an acute economic crisis caused by the drought this year, but also because the Russian Federation stopped the financial assistance.

### Description

The budget of the region for 2008 was adopted with a deficit of approx. 83 mil. USD. The deficit was supposed to be covered on the account of the financial assistance from Russia. Since Russia stopped the financial assistance for Transnistria, some chapters of the budget remained uncovered, including the pensions, salaries and transfers to local budgets. At present, for these categories of payments in the region, there is an accumulated debt of 33 mil. USD.

On July 11th The Supreme Soviet in Tiraspol authorised offering a state loan of 14 mil USD to the regional Executive for paying the pensions. The loan will be taken from a special account, instituted last year by a decision of the local legislative, to accumulate the payments for consumption of Russian gas.

According to the law project concerning the budget of the Transnistrian region, in the year of 2008 revenues are expected of approx 2 billion 800 thousand Transnistrian roubles. The expenses will surpass the sum of 3,5 billion Transnistrian roubles. This way, the budget deficit of the self proclaimed Nistean Republic will constitute, in 2008, 19,2%.

Meanwhile, the fury of the population in the Transnistrian region has increased. Those depending on the budget haven't received their salaries for more then three months, the products are getting more and more expensive because of the drought, and the inflation rate reaches 22%.

Due to these considerations, Russia decided to send humanitarian aid and financial assistance to Transnistria. On December 19<sup>th</sup> 2007, the Supreme Soviet of the Transnistrian Parliament declared that the Russian Federation will give Transnistria humanitarian aid of 640 mil. Russian roubles, the equivalent of 26 million USD, for the payment of pensions arrears and social contributions.

### Target group

- Tiraspol authorities;
- The population of the Transnistrian region;
- Gazprom.

### Impact

The budgetary deficit and the increasing inflation generate a considerable social tension. More and more enterprisers are discontent with the revolting privileges held by the "family business" of the Tiraspol administration.

Taking into account that any intention to protest against the bad management of public affairs is considered by the Transnistrian legislation "attempt to overthrow the constitutional order", the majority of those who want a better living are emigrating.

Most of them are going to the Russian Federation, because it is very easy for a Transnistrian to obtain a Russian passport. In 2007, approx. 9 thousand people left Transnistria never to come back. Since 1992, when Transnistria separated itself, de facto, from the Republic of Moldova, 180 thousand people have left it, and so, at present there are only approx. 500 thousand inhabitants left.

The decision to authorise the state loan from the account of "gas money" was criticized harshly by some representatives of the regional legislative, who warned that using those funds can lead to the inability to pay for the Russian gas, and eventually, they could stop the gas delivery to the region. According to the Transnistrian authorities, on January 1<sup>st</sup> 2007, the debts of the Transnistrian region for gas consumption to Gazprom constituted 1,3 billion USD, or 2400 USD per inhabitant.

### Dynamics

The attitude of the inhabitants from the left side of Nistru towards the Tiraspol administration has

changed radically over the year 2007. Transnistria is on the brink of a popular revolt. The people felt the enormous difference between the poverty they are struggling and the luxury of the leaders of the separatist clan.

In the beginning of June, the markets of Transnistria became deserted. Only the peasants who sell fruit, vegetables and lactate products were left. The army of the thousand of sellers of clothes, footwear and other merchandise of large consumption have left their workplaces in sign of protest against the authorities' request to compulsory use of cash registers.

The crisis became even more acute because of the draught this year and after the Russian Federation stopped giving money to the Transnistrian budget. To temperate the fury of the people somehow, the Transnistrian leaders ordered the partial payment of pension arrears from the money accumulated for payment of natural gas, money that, normally, were supposed to be transferred to Gazprom.

Because the demarche of the Tiraspol authorities with the Russian officials to recommence the financial assistance for the region remained with no response, the regional legislative took a series of "unpopular" measures, in order to complete the chapter of revenues for the 2008 budget. Among the planned measures are a new immobile tax for physical persons and the increase by 30% of the income tax for juridical persons.

These initiatives did not get support from the great enterprises of the region. According to a representative of the Metalurgic Factory in Ribnita, the enterprise that contributes approx. 60% of its revenue to the Transnistrian budget, the increase of the fiscal burden will significantly deteriorate the situation of the enterprises functioning in the region.

#### Transnistria, selected indicators<sup>1</sup>

	2000	2001	2002	2003	2004	2005	2006	2007p
Regional GDP, million USD	281	199	250	309	405	486	586	650
Regional GDP, rate of annual growth (rca)%	-20,9	10,0	-2,7	18,1	16,2	11,8	7,7	10,0
Industrial production, rca %	16,5	9,0	-18,7	21,4	5,2	0,6	-23,2	7,0
Population, thousands (estimations)	651,8	633,6	630,1	621,8	616,5	600	600	600
Retail and services commerce, rca %	11,9	23,1	18,4	7,6	15,3	18,4	5,2	2,6
Investments in fixed capital, rca %	3,8	15,6	-9,2	-14,7	22,2	-2,5	4,3	-6,4
Exports, millions USD	328	378	243,4	432,8	535,1	579,7	422,1	610,0
Imports, millions USD	489	541	449,6	592,9	758,3	855,6	738,4	740,0
Index of consumer price	190	127	110,6	132,6	120,4	110,8	108,9	110,0

Sources: "BCRMN", CISR, estimations by IDIS "Viitorul"

More and more Transnistrian exporters consider that it is more convenient to pay the tax of 0,4% for the jurisdiction of the Republic of Moldova, than 7-10% for RMN.

The businessmen – opponents of the Smirnov regime, united in the Sheriff group, benefit from the chance offered by Chisinau to legalize as Moldovan economic agents and to export goods to the European market. According to the authorities in Chisinau, presently, 20 economic agents from Transnistria export in EU, especially Romania and Bulgaria. This way, the volume of external commerce of RMN, in 2007 will reach 1,7 billion USD, which is 45% more than in the year before. The Transnistrian enterprisers admit that having the certificates of origin from the Republic of Moldova enhances the competitiveness of their production on the European market.

### Factors

- The stopping of financial assistance for Transnistria because Moscow got irritated by the "consumerist" attitude of the Transnistrian leader Igor Smirnov, who continues to request irredeemable financial assistance from Russia;
- Draught of 2007;
- Inefficient management of public finance in the region.

<sup>1</sup> Economic Statewatch, No. 11/Q3-4 2007 IDIS „Viitorul”

## **Anticipations**

The increase of the taxes will lead to some increase of the budget revenues, but will not definitely solve the grave budgetary situation from this region. In this direction, it is anticipated the elaboration of a program for the economic stabilisation of the region, and also a reformation of the whole tax system.

For 2008 we anticipate a increase of external commerce by 35%. The exports from the region will reach approx. 650 mil. USD by the end of 2008.

## **Questions**

- How is the situation in Transnistria going to evolve, in case that Russia stops subsidizing the region in the next years?

## E 31. Low productivity of the labour force

### Subject

The productivity of an employee in Moldova is the lowest in Europe.

### Description

In spite of the existing external and internal economic shocks, the average salary in 2006 increased by over 28%, compared to 2005. The salary growth could be attributed to the efficient economic sectors ascending (finance, commerce, constructions, etc.) and explained by the administrative increase of the salaries financed by the budget, in particular for the employees of the public administration.

It is true that the salary increases are small, but they are in no way connected to the productivity of work, most likely they are due to electoral cycles. The Moldovans continue to work for small salaries, but they practically have no efficiency. In many of the economic sectors, the work takes place at a rudimentary level, with machinery that should have been discharged from use long ago. Because of this, there is more physical work than in other countries, where the technologies are more advanced.

In the average, a Moldovan works for 0,8 euro an hour, doing the work that the citizens of the old member countries of the EU wouldn't accept doing for less than 25 euro per hour. The employees of some central and eastern Europe states gain, in the average, 7 euros for an hour of work. The cheap labour force should theoretically make us more attractive for the European countries. Unfortunately, that is not so, mainly because of the low productivity of work, more than that, in some branches and domains, there is not enough work force.

Consequently, if the work productivity of an European employee is of 100 thousand euro<sup>1</sup> per year in the medium size enterprises, in Moldova, the average productivity per industry in 2006 was of approx. 183 thousand lei, per person, which is 11 thousand euro/person. In this case, an employee of a western enterprise produces as much as 10 Moldavian employees.

### Target group

- The Government of the Republic of Moldova;
- Employees;
- Employers;
- Potential investors.

### Impact

The rural sector is overpopulated, and the productivity of the work is very low. The marginal productivity of rural work is practically null, which means the migration of the workers from the fields to the city would not diminish the productivity of agriculture.

In the urban sector, a "vicious circle" appears: economy > investment > workplaces. It is not interrupted by salary tensions or lack of workers, because the growth of the urban-industrial sector is guaranteed until the rural sector with a low productivity is depopulated, which involves the end of the underdevelopment stage.

### Dynamics

The Government of the Republic of Moldova promised that, until 2009, the average salary in the economy would be of 300 USD. That is a praiseworthy initiative of the government, but it leaves out the enormous gap of productivity.

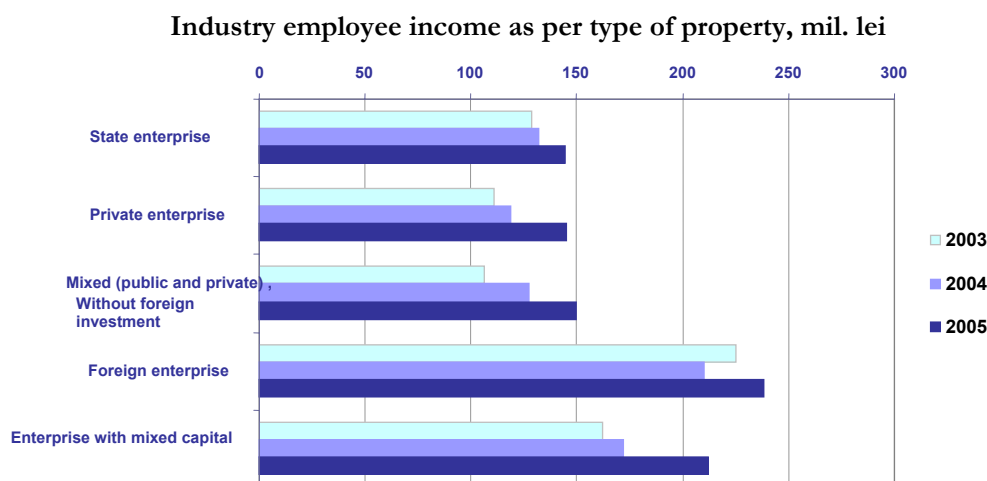
The real salaries have not grown in the last years, unfortunately, in a more rapid rhythm than the productivity, and the structure of the industrial population starts to suffer modifications under the

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<sup>1</sup> „Cotidianul”, Dan Odagiu, 14 August 2004.

pressure of some circumstantial factors, meaning the decrease of the share of sectors intensive in cheap workforce.

In the diagram below, we see that, the enterprises with foreign capital are the most productive in Moldova, at the other extreme are the enterprises with state capital.



*Source: National Bureau of Statistics*

Calculated for one employee, in 2003 an enterprise with foreign capital produced 81 mil. lei more than a state enterprise in 2005.

## Factors

- The low degree of mechanization of the production sector with new machinery;
- The great share of rural population, that has a very low productivity.

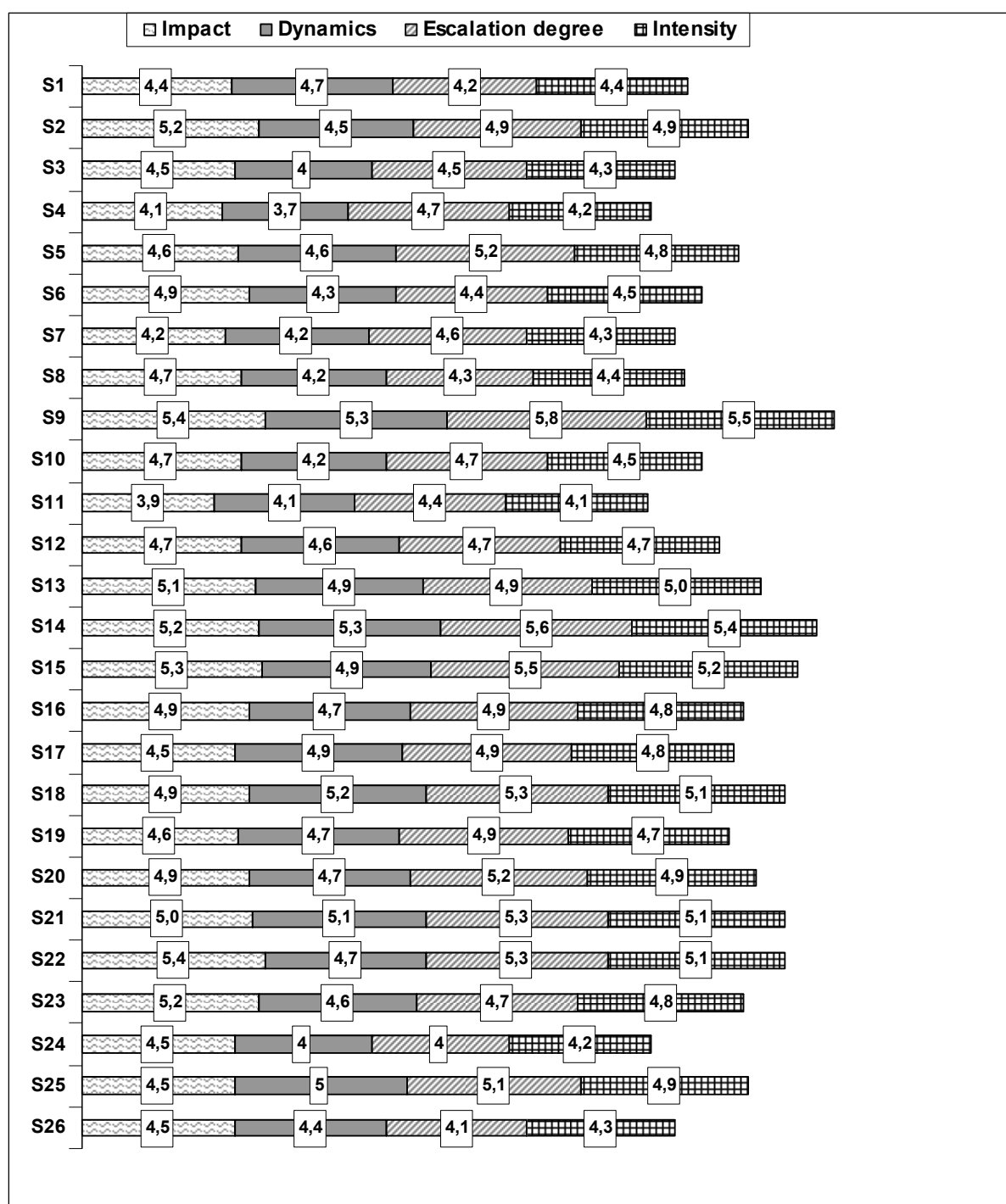
## Anticipations

In the next years, the private sector will set the tone on the salary market. It is probable that we will witness important growth of salaries, maybe even greater than the official prognosis. This could be due to the proximity of the Republic of Moldova to EU: more foreign investments that create new workplaces. It is essential that this salary increases are matching the advancements of the economic productivity. Otherwise, they will transform into external deficit or will provoke the increase of inflation.

## Questions

- How can the productivity be increased?
- What is the difference between the productivity of the enterprises with foreign capital and the productivity of the enterprises with autochthon capital?
- What is the productivity of an employee in Europe and in Moldova?

## Indicators of the problems from the social domain



The data from the table represent the values presented by the ten independent experts for every indicator of the 100 problems.

## S 1. The children of the state: orphans with living parents

### Subject

More than 12 000 children from the republic are brought up in boarding school, being isolated from the relatives and community. 85% of them have at least one parent alive. In most cases, they do not success in integrating into the society after graduating the boarding school and confront with many problems that cannot be solved alone: accommodation provision, impossibility of employment, and more vulnerability to human traffic, poverty and other.

### Description

This problem has to be treated by 2 aspects: (1) a large number of abandoned children, the Republic of Moldova takes one of the first places at European level according to the number of institutionalized children as compared to the population number (2) specific to residential institutions, which are real "warehouses " for thousands children at the same time, being a convicted practice not used for quite a long time in developed countries.

The phenomenon of abandoned children has diverse forms: from the classic abandonment until temporary abandonment, rejected declarations of parents (one parent), parents which are avowed of being incapable of growing children, missing parents etc. The worst thing is that children - being abandoned in various ways, inclusive in dumping carts - become social orphans, having both or just one parent alive. From the total number of 12 thousand of institutionalized children, over 60% of these children have both parents alive, 85% of them have one living parent<sup>1</sup>. Thus, most children are institutionalized not because they do not have a family, but because the family is too poor to support them.

The state practically does not maintain them, or supports too less the families that do not have the possibility to provide the necessary conditions to develop their child and educate him/her in an independent way, although this is something that they want.

However, some of the parents think that the state should take care of their children, but others who are abroad forget about the fact that they still have a child. The phenomenon of children left without supervision, because their parents are abroad, is not paid attention at governmental level. Children in most cases are left in care of their grandparents, relatives or neighbours. Since most of them do not have proper attention and they lack money, many of them abandon school and family, in this way they become "children of streets". They fall in the category of difficult children, and easily fall prey of traffic dealers, they become victims of abuses, of labour and sexual exploitation. Moreover, they lack protection when they are apprehended by the police. According to an official study<sup>2</sup>, over 45 thousands of children are left without attention from a parent or both of them. Other sources present us even more serious situations over 35 thousands of children of school age are left without parental attention, and more than 75 thousands children have a parent that left the country. This means that every 4th children from Moldova is educated out of his family.

The actual residential system was inherited from the Soviet period, when the boarding school was the only way of protecting the child that had been left without the parental care. In the Republic of Moldova there are over 68 residential institutions , 63 of them are subordinated to the Ministry of Education, in which there are 5 380 employees, 30% of them are retired people. Most of these institutions are more than 30 years old, 75% of children sleep in dormitories that have more than 7 places, 27% of them do not have cold running water, 43% do not have hot water, but 18% of all institutions do not have toilets in dormitories.

The best way of reducing the number of institutionalized children is developing alternative services of residential institutions. The most efficient of them are the houses of familial type in which there are educated not more than seven children (presently, in the Republic of Moldova there are 23 houses of familial type – p.n.) and professional parental assistance which main objective is the temporary placement of a child from a vulnerable family or in family with conflicts from the biological family. These two types of services are still not quite supported by the state. However, there is still no legal framework for the for

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<sup>1</sup>According to the data of the Ministry of Education and Youth

<sup>2</sup>The study "The situation of the children left without parental care due to migration" done by UNICEF.



parental assistance service.

## Target group

- Institutionalized children;
- Graduated children from boarding school;
- Unfavourable families social;
- Social assistance network and NGOs that provide social services;
- Administration of residential institutions;
- Ministry of Social, Family and Children Protection;
- Education Ministry;
- Health Ministry.

## Impact

First of all, the institutionalised children are deprived of necessary conditions to develop their potential. Even if the annual system expenses rise up to 150 mln. lei, only 16 lei per day are spent for the nutrition of a child. The younger the child is less and the institutionalised period is bigger, the more serious are the effects of institutionalising consequences in psychological and social plan. The statistics show that the institutionalised minors get sick three times more frequent than those who grow in families. Also for children from orphanages, the risk of becoming unemployed or victims of human traffic is 10 times bigger, and 80% from suicide cases show that the person was exposed at least one year of life to a residential average.

In the second case, their basic human rights are not respected, a number of the children rights stipulated by the national and international legislation, to which the Republic of Moldova is a member, are not followed. The United Nations Children Rights Convention in art. 20 states that “a child who is temporarily or permanently deprived of the family environment or who cannot be left in this environment in order to protect his interests is entitled for special protection and social assistance from the state”.

## Dynamics

In 2007, the number of children who have been placed in residential institutions has reduced. A reform of the system of residential care of children had been initiated, according to the Strategy and National Plan of Action for 2007-2012 years. The National authorities are supported in this reform by EU, in the framework of the project launched in 2006 and implemented with the support of UNICEF and TACIS “The Development of integrated social services for vulnerable families and children in risk cases”, which stipulates investments in the value of 5 million EUR. The aim of these efforts is to reduce the number of children that grow apart from their families. Residential institutions subordinated to Ministry of Education and Youth and Health Ministry already began activities of reintegration of children and diverse offered care services. Due to detailed examination of each child’s situation, 185 families took their children home, and other 172 were supported as not to give their child to orphanage.

Until 2012, the reintegration of 50 % of children in families is predicted, development of familial support services, which, in necessity of needs, which could mean reconciliation, working places, money, food, clothes etc. Most of giant-orphanages are to be closed or reorganised in alternative institutions, with a less number of children and conditions that are closer to those from families.

Also in 2007, the process of initial forming of social assistants was initiated who are employed to activate in city halls.

## Factors

- Absence of some social security measures, meant for those families which, due to poverty, place their children in state institutions and those with high risk of abandonment;
- Attitude of state organs, which often consider that the best solution for a family that is at an deadlock is to institutionalise children;

- Stereotypes persistence straightens against young single mothers, in special in rural average. Often being misunderstood and not accepted in families, under parents pressure, adolescences sign papers for abandonment;
- Insufficient support from institutionalising state alternative services and limited abilities of social protection system;
- Absence of a mechanism of NGOs subcontracting who are specialised in performing social specialised services, intended for children and families with a high risk of abandonment;
- The law concerning guardianship and trusteeship does not take into consideration the cases in which parents leave the country. The simple procedures of guardianship establishment are missing, of temporary power of attorney, from a relative or of a trustee over children whose parents intend to leave the country. Social state services do not have the necessary instruments to control and monitor the situation of children left without parents' attention.

## Anticipations

There is a series of pre-conditions that allow the anticipation of an evolution in a positive way of this problem: a high interest of national authorities, of associative sector and donors towards this problem; creating of Ministry of Social Protection, Family and Children; informing and sensibilization of public opinion and decision factors about the situation of abandoned and institutionalized children by promoting in mass-media protecting services of children, such as the tutor system, national adoption etc. In 2008-2010, the transaction will be done from according nominative compensations until social help in dependence to the family's global income.

However, the reform will have success if it is directed not only towards legislation modification and of institutions, but also to change of mentality and of attitudes of these parents that consider that the state is obliged to assure education and bringing up their children.

## Questions

- Why from state budget there are allocated at least one thousand lei for a monthly maintenance of a child from a residential institution, but when it comes to maintain the children from a house of familial type or from professional parental assistance such ridiculous sums are offered?
- To what extent are the orphanage administrations interested to participate at creating alternative institutionalised services?

## S 2. The sphere of public services is still affected by corruption

### Subject

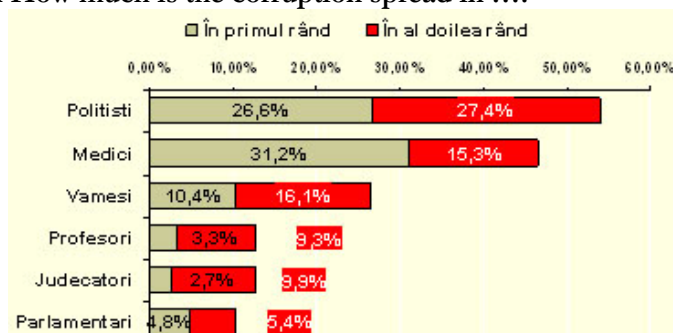
The sphere of public services continues to be affected by corruption phenomenon. One of the most corrupted categories are policemen and doctors.

### Description

Seven of ten Moldovans place the corruption in the fourth place in the top of the most serious problems of our society.

Even if the number of Moldovans that are ready to offer bribe has decreased in the last two years, with 10%, corruption is a phenomenon deeply rooted in Moldovan society based on two reasons: citizen's temptation to offer bribe to solve a problem easier or to get a benefit, as well as temptation of public functionaries to get some additional money in spite of the function that he has and of low payment. The inclination of taking or giving bribe, continues to be handled in spite of media warning materials which have been shown in 2007 on TV and radio.

#### After your opinion How much is the corruption spread in ...?



Source: BOP, November 2007

In 2005-2006 years, CCCEC intended 68 criminal cases regarding education offences from education, 34 cases being sent to court.

In spite of moral condemning from the society, a part of this phenomenon is encouraged and by miserable conditions in which are forced to work teachers, doctors, police officers. The social-economical conditions are those that indirectly trigger this phenomenon, even though it should not be the main excuse.

The combating of this phenomenon is perceived as a test for the European option declared by Chişinău's authorities.

### Target group

- Functionaries and budgetary;
- CCCEC;
- Citizens.

### Impact

Corruption represents a major danger for national security, it decreases investment attractiveness, unbalances the mechanism of executing the state power. This phenomenon also contributes to education of the new generation who might think that each problem, no matter if it is legal or illegal, can be easily solved by bribe. Besides the basic knowledge, which they obtain at secondary institutions, the schoolchildren from the start get used to giving money to teachers indirectly if they want to have better accomplishment. Their parents are imposed to contribute with some additional payments foreseen by the

law to assure their children better academic progress and better conditions of studying<sup>1</sup>. This study indicates that the total sum of expenses supported by parents for children's education in primary and secondary education for a year is estimated at 1.687 mln. lei, sum that exceed financial resources allocated in this domain, 1.570 mln. in 2006.

## **Dynamics**

In spite of the predisposal of offering bribes, there is attested a change of mentality of citizens of the Republic of Moldova. In 2005, the third part of respondents agreed that in order to solve problems it is necessary to offer money, in 2007 there was registered a significant reduction, over 10%, of this segment of population. Thus, as compared to 2005, in 2007 there is noticed an increase of 4% of respondents who mainly or totally disagree regarding the necessity of offering gifts, money or other favours to functionaries to solve some problems. The data presented in this survey certifies that fewer citizens accept to offer money or gifts to functionaries.

More and more nongovernmental organizations join the fight against corruption, especially due to the international donors' interest to combat this scourge.

## **Factors**

- decreased interest of authorities to combat the cause of this problem;
- insufficient finance of state institutions and small salaries of public employees;
- parish mentality of citizens.

## **Anticipations**

Corruption combating is a mandatory condition for the European integration of Moldova. The practice showed that the first successful steps in combating the "small corruption" was due to increase of interest and of foreign donors funds to combat this scourge. Approaching of Moldova to EU, will impose double efforts of authorities and of civil society to combat corruption.

## **Questions**

- What are the real causes of corruption perpetuating in public institutes?
- Why don't the responsible authorities look into the numerous cases of corruption cases presented in press?
- Are supplementary payments paid by parents more or less voluntary?

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<sup>1</sup> The sociologic study "The informal payments in the secondary education institutions" done by the Institute of Public Politics and the Sociologic Studies CBS AXA»

### S 3. The high rate of HIV virus/AIDS infection

#### Subject

Moldova, alongside Ukraine and Russia, is a country with a high level of dispersing HIV virus from CIS countries. The increase of HIV cases, in special among young people raises serious concerns.

#### Description

Although the rate of HIV infection is reducing, it continues to be an actual problem. According to statistic dates presently in the Republic of Moldova there are registered 3 thousand 400 persons infected with HIV virus. More then half of them are young people between 20 and 29 years. A study realized by UNICEF among young people states that only 8% of young Moldovan persons between 10 and 24 years are able to correctly define the ways of transmitting and the prevention methods of HIV. At the same time, sexual risky practices are more extended for young people who have a low level of knowledge in this domain, especially the teenagers under 14 years and girls from rural average.

According to the information from Health Ministry the highest percent of getting HIV virus is Transnistrian region, where have been registered 142 cases from those 700 thousands inhabitants in East part, in the same time in the right part of the Nistru in 11 months of 2007 there were registered 394 carriers of HIV/AIDS from the total 3,4 millions of habitants, inclusive 4 cases at children under 17 years, comparative with 331 carriers of HIV/AIDS, inclusive 8 children under 17 years in 11 months of 2006 year. In 11 months of 2007 year there were infected with HIV/AIDS virus 177 persons, inclusive 5 children under 17 years. In Bălți municipality, there are registered more than 800 persons infected with HIV and there are 27 children born from infected HIV positive mothers. After Bălți municipality, Chişinău, according to statistic information is one of the most affected localities with HIV/AIDS from The Republic of Moldova.

Besides HIV/AIDS, other sexual infections continue to register alarming rates. In comparison with the last year, the number of cases of syphilis registers a substantial increase. Just in one month (June) in 2007 year there were registered 24 persons infected with HIV, 242 cases of infecting with syphilis and 165 persons affected by acute and chronic gonorrhoea. At the same time, the cases of syphilis in June 2007 raised by 55 times more than in last year June. The number of cases the same disease registered from the beginning of the 2007 sums up to 1373, that is 160 more than in the same period of the last year.

Even if the general statistics seems to improve, more specialists voice their concerns regarding the way how problems from public health are handles, all these abovementioned maladies being social diseases, prevention of these in the Republic of Moldova being very complicated because of high number of migrants, and because of cases in which the persons come to the doctor when the infection is already in an advanced period.

However, until 2010, the III-rd national Program of prophylaxes and combating of HIV/AIDS and of sexual infections is running, a program approved by the government. According to the survey, teenagers experience an information hole in school programs regarding this chapter, what affects deep their life.

#### Target group

- Teenagers ad young people;
- Women;
- Migrants and mobile population;
- Beneficiary persons of blood transfusions and blood components;
- Users of injectable drugs;
- Children born from infected mothers;
- Health Ministry;
- Scientific/Practical Centre of Preventive Medicine
- Nongovernmental organizations.

## Impact

- The contaminated persons with HIV/AIDS face a lot of difficulties in finding a stable job and their living standards has to suffer;
- The children infected by HIV/AIDS without their fault are deprived of many of their rights- care, love and affection of the parents, teachers, of the right for education and future perspectives;
- The people infected by HIV/AIDS are discriminated as well as their family members, it is quite difficult for them to get employed;
- As the young generation is the most affected, the reproductive process has to suffer;
- The mortality rate increases.

## Dynamics

In the last years, there is attested an increase of morbidity among women, as well as at children born from mothers HIV-infected. Thus, the rate of infection with HIV/AIDS between women, inclusive the pregnant, has raised from 25%, in 2000, to 44, 4 %, in 2006. Women are more vulnerable, due to anatomic aspect, to HIV infection, also social factors, migration and violence.

In the Republic of Moldova, presently there are over 1100 seropositive women, and 41 children HIV-positive under 18 undergo treatment, with confirmed diagnosis, where 19 of them need and get antiretroviral treatment (a treatment that does not heal, but can extend the period in which AIDS symptoms delay to appear). The number of children who live in families affected by HIV is unknown. According to one preliminary analysis of foreign and national experts, the number of these can vary between 800 and 2.600.

In 2007, have continued the efforts of nongovernmental organizations and of those who provide the information regarding the spread of HIV, decrease of discrimination of these people and indulgence promoting. In this framework are included the concerts with generic „ Artists against AIDS”, publicity campaigns, an ample artistic project „Women's tour against AIDS”, in which five seropositive women rendered public opinion from Kazakhstan, Armenia, The Republic of Moldova, the Ukraine and Russia about the high risk of women infection of HIV/AIDS.

## Factors

- Ignorance of the transmission ways and methods of preventing of HIV virus;
- The spread of drug addiction, especially among teenagers and young people;
- Rise of number of persons with a social deviant behaviour;
- Intensification of migration processes of persons of reproductive age in countries with a high indicators of HIV/AIDS infection;
- Underdevelopment of necessary consultancy services about HIV/AIDS that could direct the infected persons that can lead to necessary actions to prolong their lives;
- Decrease of moral and familial values, etc.

## Anticipations

The Republic of Moldova benefits from a grant of Global Funds of combating of AIDS disease, tuberculosis and malaria in value of 11,7 mln USA dollars and a grant from World Bank of 5,8 mln dollars for 2003-2008 years. Over 2/3 of these grant sources were already used between the period of 2003-2006. This fund will allocate again to Republic of Moldova a new grand in the value of 28 millions USD. The payments will start in October 2007 for tuberculosis and in January 2008 - for HIV/AIDS.

## Questions

- Is HIV/AIDS a social malady?
- Will there be less cases of infection with HIV virus in the absence of sexual education lessons at school?

- Is the distribution of condoms a sufficient method of sexual education?
- Does everyone of us understand what living with AIDS means?

## **S 4. The social vice threaten the genes of the nation**

### **Subject**

Smoking, excessive alcohol consumption and drugs have intensified the disease and death rates because of intoxications, traumas, accidents, chronic pulmonary and hepatic diseases, tumours. As well as the cancer diseases, vice addictions, moral decline and the family collapse.

### **Description**

According to the data of the Republican Clinic of Narcology, in the first six months of 2007 there were registered approximately 536 drug addicted people, 11% - of them under 18 years. Cases of drug addiction were registered all over the country. Approximately 9500 persons affected by drug addiction are under medical supervision in the consultative sections of public medico-sanitary institutions. Most of them are under 30 years; approximately 90% of them are men. More often, there are cases of minors and teenagers involved in drug consumption. Thus, presently, at drug addiction specialists' evidence there are approximately 350 minors and adolescents. Drug consumers come from different social environments. Most of the patients are from well-off families.

Another vice, smoking, achieved alarming proportion. If in 1989 there were smoking only a half of population, presently about 2/3 is smoking. In the Republic of Moldova, the prevalence of consumption of tobacco at adult population is increasing, constituting over 46% between men and over 28% between women, according to Ministry of Health information. A citizen of R. Moldova annually smokes, in average, about 275 cigarettes or 13,8 packets, totally, the annual consumption is appraised at circa 5 milliards of units. Also, and the rate of mortality attributed to smoking in Moldova present a tendency of increasing, being over twice higher, as compared to the average level of European countries.

Republic of Moldova is characterised by the high level of mortality attributed to alcohol consumption, which value is circa twice more comparative to the average level of European countries. According to the studies of Ministry of Health, presently, 48 thousands of persons from Moldova suffer of alcoholism; 17 per cent of them are women. Moreover, 0,7% of them consume alcohol every day, but 5,6 per cent – twice a week. The rate of chronic alcoholism at women is bigger in urbane zones, while in villages men suffer more from alcoholism. According to Gallup polls, only in October 2007, the alcohol consumption between minors and women aged between 30 and 45 years had risen with 6 per cent. Annual, circa 500 of young persons follow prophylactic programs, regarding the prevention the alcoholism phenomenon.

The causes of spreading these vices are of social nature – imitating of adult model by children, unfavourable social conditions, absence of aplomb and tomorrow day of country's citizens. According to BOP from November 2007, only 3,7 % from those questioned are concerned by appearance of some diseases, especially being concerned the old persons. The absence of trust is owed to the instability, as and to social instability from the Republic of Moldova.

### **Target group**

- Teenagers and young people;
- Non-smokers;
- Orphan minors, from vulnerable families, with chronic alcoholic parents or drug addicts;
- Health Ministry.

### **Impact**

Social vices have harmful effects on people's health substantially contributing to decrease to life's longevity. Over 7000 persons passed away in last years of diseases caused by smoking should admonish us. Only at the Oncology Republican Institute, over 41.000 persons are at evidence, from those 40% have pulmonary cancer, mostly of them are smoking persons. Most frequent cases of demises of diseases attributed to smoking are lip, mouth and pharynx cancer (92% of men and 61% of women), pulmonary cancer (90% - men and 79% - women), pharynx cancer (81% - men and 87% - women). Experts estimate



that an adolescent that smokes until middle age is shortening his life with 24 years. Drug consumption leads to delinquency. Over 70% from registered persons at Republican Health Unit of Narcology have criminal record history connected to traffic or drug consumption.

In the families where the woman is affected by alcoholism, there is no moral support, the children being neglected. As a result, over 60% from these children become alcoholics too.

## **Dynamics**

Social vices have an ascendant dynamics. From 1992, indicators for the three social vices were increasing. The increase was determined by the economic-social situation, as well as by moral comedown of population. Influenced by market characteristics and by the absence of control over tobacco and alcoholism, the social vices had spread significantly. These vices increased also because of the peculiarities of these sectors of Moldovan economy: the industry of wine and of tobacco industries that promote harmful products for human health. The incomes increase in economy in these domains is taken on the account of health of country's citizens.

Regarding the drug addiction there is control from the state. In 2006, in R. Moldova 1069 of persons were administratively charged for cultivating cannabis and opium poppy, and 154 were criminally charged.

## **Factors**

- Absence of a control policy of import, production and selling alcohol and cigarettes;
- The faulty education in families and in schools regarding the effects of social vices;
- Unemployment, the distrust in tomorrow day, the social stress;
- The indifferent attitude of the state;

## **Anticipations**

Social vices have known an ascending evolution in a short time, which perpetuation brings economic benefits, with social consequences. As a result of rivalry concepts of "economic interest" and "maintaining social balance", it is clear what are the perspectives of this problem. In case in which educational domain will not stress the harmful effect of vices, the problem will continue to exist.

## **Questions**

- How many young people die annually because of social vices?
- What is the social vice impact for the society's health?

## S 5. Lack of well-paid jobs

### Subject

In the Republic of Moldova, the labour force has not become an article of goods and its price is not at the level of the cost, even if in 2005 there were registered increase of monthly average salaries in the private sector, as in the budgetary. According to an evaluation drawn up by the Alliance of European Employees (FedEE), that included 48 European states, the citizens of the Republic of Moldova are the worst paid in Europe, with an average salary of 65 times less then in Denmark, the European country with the highest level of average salary.

### Description

An important factor that determines the level of motivation of employees' performance, the quality of the work and the evolution of demand of the labour force is the payment. Even if in 2000-2007 the real salary had increased almost three times, the salaries from Moldova continue to be extremely low as compared to other countries in Europe. The average salary in October in the economy of the Republic of Moldova was of 2 197 lei (185 USD), with 67 lei more, as compared to the previous month, that is only 10% higher than the average salary for 2006 year. In the budgetary sphere the average payment of the work in October was 1694 lei, when in the real sector the salary had increased with 109 lei, till the level of 2 461 lei. In the education sphere, the level of payment had increased with 11 lei till 1499 lei, and the health and social assistance employees had an increase in the given month of the salary 66 lei less then in September, in average of 1 705 lei<sup>1</sup>. For comparison, the didactic corps in Moldova is paid at least ten times less than in European Union.

Another characteristic of the labour market of Moldova is the big gap between the salaries of those who occupy management functions and of those from lower positions.

The biggest salaries in October, according to the National Statistic Bureau, had the employees from financial sector, 4300 lei average. Concurrently, the payment in industry was of 2858 lei, which increased with 209 lei, in constructions the salary had been reduced with 143 lei to 3291 lei. The salaries from transport and communications were about 3094 lei, with 332 lei less than in September 2007. The smallest average salary had the Moldovan agricultures of 1191 lei, with 87 lei less then in the previous month.

In addition, there are regional discrepancies in the domain of employment and payment in the Republic of Moldova, the average salaries in most of counties being of 50-60% from national average.

The salaries in Moldova are the lowest in the region, and they are the main reason of migration. In the countries from central Europe, the salaries are 5 times bigger than in Moldova, and the Moldovans that work in the West can get salaries up to 10 times more than in their country for the same work, even in better conditions. For example, in Spain, Moldovans get the highest salaries for the work in transport, constructions or industry, and the incomes are from five to ten times higher than those in Moldova. The average salary in transports varies between 1200 and 1900 Euro, when in Moldova, the average income in the same domain is about 190 Euro. Certainly, a good part of these payments are paid unofficially and those who work do not benefit from medical or social insurances, nevertheless these emphasize the economic handicap of Moldova.

In the construction domain, for example, the Spanish employers offer salaries between 1000 and 1600 Euro, bur in industry these vary between 900 and 1300 Euro. In Moldova, the average salary in the same domain is around 209 Euro, respectively 156 of Euro. In agriculture, Moldovans can get a salary between 800 and 1100 of Euro monthly that is at least ten times less than the salary that receives an employee from this sector here in the country.

At the same time, when we talk about salaries, we have to refer to the cost of labour force as well. Thus, in 2006, the average cost of an hour of the labour force in EU (25) was of about 22 Euro whereas in Moldova this was of 0,8 Euro – compared to 1,5 Euro in Bulgaria, 2,3 Euro in Romania, 4,8 Euro in Slovakia, 6,2 Euro in Hungary or 6,7 Euro in Czech Republic<sup>2</sup>.

In these conditions, the population is not motivated to work home with some quite small salaries,

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<sup>1</sup> National Bureau Statistics.

<sup>2</sup> *Guvernare și democrație în Moldova*, an. V, nr. 105, 16–31 octombrie 2007.

which do not cover the necessities and do not assure a decent living. The working force prefers to go to other working markets.

### **Target group**

- employees from budgetary sphere;
- Young people;
- Persons with secondary education degree;
- Territorial Offices of Labour Force;
- Economic agents.

### **Impact**

The absence of attractive opportunities of employment stimulates emigration. In the first instance, the emigration seems to have an adverse impact by drastic reduction of quantity and quality on the working market. The worsening of available human resource quality is a serious obstacle on the way of recovering of technologic gaps as compared to European countries. A similar evolution can compromise the perspectives of durable development of the economy. Due to this problem, a significant segment of people is accumulating that is occupied in informal economy. Because the supply of working force exceeds the demand of well-paid working force, many persons accept to work without a working contract and agree that their relation of work should not be a subject of the working legislation, of income taxation. Concurrently they give up the social protection and some benefits (pre-warning in case of dismissal, compensations in case of dismissal, annual paid leave, and medical leave).

### **Dynamics**

- The structure of local and regional economies is much more primitive than in those two big cities in the republic, with prevailing occupations dependent on agriculture and the industrial branches being in decline;
- The direct autochthones and foreign investment flows were concentrated in big urban zones;
- The local public authorities do not have real instruments of promoting some local policies of keeping the working force as well as they do not have statistic, informational and administrative capacities that are necessary for a rigorous analysis of the working market and anticipating of development tendencies.

### **Factors**

- The absence of an adequate system of control and forecast of the market of labour force;
- The inefficient monitoring of the active measures impact over diverse addressed groups, necessary for politics planning in the employment domain;
- the working places of traditional type are not sufficiently replaced with more productive working places;
- the high costs to launch a business in Moldova. Bureaucracy, corruption, the high taxes are other reasons for reduced entrepreneurial activity;
- The pressure to increase the salaries is forcing the companies to introduce new technologies, that save the labour force, as well as saving the labour forces by releasing reserves and decreasing the working places.

### **Anticipations**

The salary policy and the real situation of the level of payment of work in national economy by far do not contribute to the development of labour market. According to the State Budget Law for 2008, the increase of average salary in economy will constitute about 23%. In the period 2008-2010, the average nominal salary in the national economy will increase by 1,6 times and in 2010 year will constitute 3250 lei, shows the preliminary macroeconomic prognoses for the next three years, elaborated by Ministry of

Economy and Commerce (MEC). These figures remain however quite small, as compared to the continuous increase of prices.

### **Questions**

- Why there are few well-paid jobs in the Republic of Moldova?
- Who should contribute to the increase of these working places?
- What should be the contribution of the state in the social support of the employed people?

## **S 6. Limitation of the number of student in the state higher educational institutions**

### **Subject**

For the second consecutive year, the Government decided to decrease the number of places in higher educational institutions and to increase the places in colleges and professional schools, under the pretext of orientation of the young people towards the specialities necessary for the working market from Moldova. This decision caused negative reactions, especially due to the fact that this decision was not grounded or studied sufficiently.

### **Description**

On 25 April 2006, the Government adopted the 434 Decision "On unique plans of registration of students and pupils in higher educational institutions in 2006 (I cycle), speciality and secondary professional". The decision appointed the number of students with budgetary financing at public higher educational institutions, as and quota for all universities, state and private ones. in 2006 year The quotas are measured for each speciality and university individually.

The results of this decision of limiting of the number of students, from the statistic point of view are the following: if in 2001-2005 there was maintained the tendency of increasing of the number of young people studying in higher educational institutions about 10% annually, then in the academic year 2006-2007 their number was with 25% less then in previous year, respectively less with 25,9 thousands of people.

However, at the beginning of the 2007, the Government announced the decision to reduce with over 17% (about. 4,8 thousand of persons) the number of persons in the higher educational institutions in the republic and to increase the number of the pupils from colleges with circa 10% as compared to 2006. There were increased the budget financed places with 5% and reduced over three thousands contracted places in higher educational institutions. Totally, there was planned the admission of 23 085 of persons, 34% - on budgetary financing, and 65,9% - on payments.

Even if in secondary professional educational institutions the number of admitted persons was increased with 1325 and, respectively, 1043 persons, the interest of young people still remains high to obtain the higher education, the fact proved by the number of applications (44,8 thousand in 2005-2006 and 44,3 thousand in 2006-2007 ). Thus, the number of applications for 100 admitted persons reached the highest rate in the last five years – 171.

Even if the number of budgetary places had considerably increased at some specialities, their unattractiveness, caused first of all by small salaries and lack of prestige, remained the same, the budget places that were not taken even after the repeated round of admission. Thus, in 2007 circa 300 of places with budgetary financing and with fee remained free, 25-with budget financing and 275 – with fee, the being at pedagogical specializations.

This decision, instead of solving the problem, distorts the market in many ways and offers effective monopoly power to the existent universities over some specialities.

### **Target group**

- Graduates of lyceums and of secondary schools;
- The higher educational institutions, especially, the private ones;
- The staff from the universities;
- The Ministry of Education and Youth.

### **Impact**

- The orientation of the young persons that couldn't continue the studies at a higher educational institution to migration, or to colleges and professional schools, losing in the first case the labour force, and in the second – its quality.

- The administrative capacity of higher educational institutions to self-finance is affected negatively, because of the reduction of the financial sources from contract fees, and from implementation of social projects for the special categories of students. In the created conditions, the private universities have only two alternatives: to increase the fees for the study, the fact that will inevitably lead to the decrease of the number of students, or to stop their activity due to the lack of financial sources for the payment of staff, maintenance and development of the university infrastructure.
- The violation of a series of rights: art. 35 from Constitution, art. 49 from Education Law and the point 75 from the Action Plan EU-RM. The Constitution stipulates the right to education to everybody, universities are provided with autonomy, and the parents have the right to choose the sphere of education of the children. This manner of training of specialists "according to the existent demand on the labour market" contradicts the engagement of Moldova to join the Bologna process, because "it is directing the higher education to strategies applied in the Soviet educational system, and ignoring the social demands, which is given priority in the European space of higher education".
- The loss of some important financial resources, circa 15% from money coming from the transfers of the citizens of RM that work in EU and CIS space, are oriented to education services - 75 % of the students are paying the study fees, as compared to those who study on budgetary financing, their share is of only 25% .
- The limiting of the access to university studies will not solve the unemployment problem, the smallest share among the unemployed is taken by people with higher education – 11%, as compared to those with professional studies – 30% and secondary professional education – 15%<sup>1</sup>, especially since in the Republic of Moldova is seen the increasing demand for very qualified labour force and reduction of the demand for working force of low quality or nonqualified.

## Dynamics

It is for the second year in a row, when, in spite of the accusations of violation of human rights, the Government of the Republic of Moldova makes abuse of administrative instruments to take measures of reorganize the labour market by educational strings.

Even if in 2007 the admission methodology remained the same as in 2006, the formula was modified according to which the average grade was calculated, which consisted from the average from the grades of four subjects of speciality. However, this method was adopted before of period of admission (the Regulation of the organisation and development of admission was approved by the Collegium of Ministry of Education and Youth on 24 May 2007), the fact that did not allow the graduates to direct their efforts to improve the performances, at least in the last lyceum year.

After the first round of admission examinations in higher educational institutions in Moldova, 1697 of places remained vacant (197 financed from the budget, the others – on payment), as compared to five thousands places remaining in 2006.

The Constitutional Court acquitted the Government in the trial initiated at the request of social-liberal member of parliament Igor Klipii, who contested the constitutional character of the Decision of the Government to reduce the number of places in private educational institutions in 2007. The main arguments of the adopting this decision was that education constitutes a national priority and the Government was entitled to take legal measures for the correlation of the process of preparing of specialists according to the demand of the working market of the country. The Court decided that the appointing of quotas of admission could not be considered an infringement of the university's autonomy, because the independence of university consists in selecting the candidates, but not in the right to establish the number of students.

## Factors

- The ambition of the authorities to attract, even artificially, the students to “unpopular” specialities;
- The absence of development strategies in the educational system, that should establish the objectives, the evolution perspectives and development tendencies in educational sphere.

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<sup>1</sup> [www.scers.md](http://www.scers.md), [www.statistica.md](http://www.statistica.md)

## Anticipations

Being aware of the traumatizing experience that their older colleagues went through, the probability is quite high that the graduates of 2008 will search any legal or illegal ways to get high grades and to assure a place in a superior educational institution

## Questions

- Will the decrease of the number of places in higher educational institutions from Moldova mean that our country does not need citizens with higher education?
- What is the destiny of young people who could not continue their studies?
- Is every individual able to study at university?
- Is the Government entitled to limit the university autonomy?

## S 7. Lack of qualified human resources

### Subject

In the conditions of economic increase but also of massive migration of population fit to work, increase of coefficient of population ageing, the Republic of Moldova faces an increasing process: lack of qualified human resources. If Moldovan migrants do not return, the Republic of Moldova could transform, from an exporter of labour force into an importer or working force with social, economic and political unpredictable consequences.

### Description

The job offer is determined by the demographic potential of a country, ageing coefficient, and the population's professional training. The educational system provided the working market with necessary human resources, forming young people for life and work; it develops their abilities and prepares them morally and professionally. Because of educational system, a country can realize huge steps in its progress. However, sometimes education can lead to the lack of balance on the working market, preparing too many specialists in a domain and too less in other domains or offering specialists that are low qualified and insufficiently prepared. This happened in last ten years in the Republic of Moldova. Presently these discrepancies are very well perceived on the working market.

On the other hand, diverse educational institutions of all levels function in the country. At the same time, the quality of instruction offered by respective institutions is far from the market and the employers' demands. Thus, the inconsistency prevails between the educational system offers and the market necessities and demands. This is the explanation, from one side, for the specialists' excess (law, economy, foreign languages) and, on the other side, for the insufficiency of others (tailors, house painter-plasterer, welders, electricians etc.)<sup>1</sup>. In these conditions, massive migration is manifested of those who cannot find a job, because there are too many specialists in their domain, but also those whose absence is felt by "deficiency on the market".

The Moldovan authorities for now do not express great concerns regarding the deficit of labour forces, even if the signals coming from the economy are alarming enough, especially in such domains as industry, constructions and energetics. On the background of intense migration of labour force, the strategies of the authorities to improve the education quality and training of the young specialists, as well as the salary increase are not materialized in concrete results. In the absence of qualified working force, we cannot expect serious flows of foreign investments. If in the first years, the population migration had mostly positive effects, reducing from the surplus of existent working force at that time on the market, then in the present, this phenomenon transformed into a massive exodus of brains. According to a study of OECD, Moldovan migrants have the highest level of qualification and highest professional capacities as compared to other countries from East Europe and CIS countries – 37% of Moldovan diaspora are "extremely high qualified".

### Target group

- Higher educational and secondary professional institutions;
- Ministry of Education and Youth;
- Economic agents;
- Employment agencies of the working market;
- The territorial offices of labour force;
- Unemployed people.

### Impact

- The lack of labour force in many sectors brings to the quick increase of salaries in some branches of

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<sup>1</sup> *Piața muncii din R. Moldova: Diagnosticul unei involuții* / Autor: Adriana Tatarciuc, Seria Politici Publice IDIS „Viitorul”.



national economy especially in construction and services sphere.

- The quick increase of salaries will determine the patrons to compensate the expenditures by increasing the prices of the final products.

## Dynamics

The existent gap on the employment market is demonstrated also by the fact that for now Moldova is a country with a rate of relatively high employment and a small rate of unemployment. In spite of reducing of the active economic population and of those employed, the official rate of unemployment does not register a significant increase, the unemployment being smaller than in most European countries.

The acute insufficiency of qualified staff in constructions, light industry, metal processing industry, agriculture, education, health, sphere of services denotes the insufficiency of secondary professional education, even if the professional education represents a real possibility to get in a short time on the working market with a demanded profession. The number of students from secondary professional educational institutions, in the academic year 2005-2006 was of 25 thousands, but in 2006-2007 of 23,7 thousand<sup>1</sup>, in spite of the campaign, launched by the Ministry of Education, on 21 July 2006 "Get a speciality – become independent". It should be mentioned that until that moment this type of education had no publicity, and it did not create an attractive and convincing image.

Even if the disproportion between the graduates of professional schools and those of universities and the discrepancy the offer of the educational system and the working market appeared many years ago, the Government decided in 2006, and maintained in 2007 the appointment of the number of students with budgetary financing and with fees for all universities, for the state higher institutions, and the private ones. As a result, the admission quota had reduced for the "prestigious" faculties: economy, law, foreign languages, and international relations, in favour to specialities with pedagogical and technical profile. The purpose of the decision was to assure certain balance, to stimulate the candidates to choose certain specialities that the working market needs, but it also caused discontents among the graduates, parents and state private university administrations. The limitation of the number of students for private universities was especially criticized.

At the same time, it is clear that the increase of labour force without a corresponding increase of the demand of labour force will bring nothing else but increase of the rate of unemployment.

## Factors

- The unfavourable demographic evolution which is manifested by the decrease and ageing of the population, intensification of migration of labour force;
- The absence on coordination concerning the educational system and demands of the market;
- The low image of the secondary professional educational system, for the graduates and for the employing companies;
- The absence of collaboration between professional schools and employers;
- Weak cooperation between employers and employment agencies, that prefer to announce these institutions only in cases of high necessity and when the vacant places are not well paid;
- The absence of a profound analysis of the processes on the working market that should stay at the basis of elaboration of strategies of professional forming and occupation of labour force;
- The quality level of the unemployed people does not correspond to the demand of labour force;
- Possibilities of migration discourage in a way the economic activity. If the patrons are not able or are reluctant to provide the requested remuneration, the potential employees prefer to remain dependent on the money transfer from abroad or to migrate than to get employed.

## Anticipations

The continuous maintaining of the decreased demographic dynamics and migration of working force will lead to the decreasing of the number of population, as well as the potential supply of the labour force. It is expected that the number of active persons on the market of working force from Moldova in

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<sup>1</sup> *Moldova în cifre: breviar statistic* / Chişinău – 2007.

the perspective of 2010 will decrease continuously, and the distribution between branches and sectors of them will not have radical changes. Additionally, the tendencies of the last years do not indicate any sings of development of a competitive economy, the occupational group of “engineers, technicians and craftsmen” experiencing staff reduction, and the group of “specialists of intellectual occupation” registering extremely reduced increase.

The employers’ perceptions, that there is an abundant offer of work seems to be far from the reality, because more and more companies are facing and will face difficulties in recruiting qualified personal. The deficit of labour force, rather acute in some sectors, combined with an economic increase in next years will put strong pressure on internal resources that will be manifested by higher prices of labour force.

## Questions

- Does the discrepancy between supply and demand represent a risk for the economy?
- Will the lack of labour force determine the increase of the production costs?

## S 8. People of the street beyond the social policy

### Subject

The problem of street people was mentioned in the previous year study. Nevertheless, the beggar and homeless people are almost in every region of the country, but mainly in the capital.

### Description

The street people represent the category that does not benefit from family, state, or some charitable institutions care, they are not protected enough and for them the street became the only home and source of obtaining means of existence.

Most frequently into the beggary category fall the children who usually come from very poor families. Their difficult situation stole the childhood from these children making them beg from early age. They practice beggary, especially close to or the entrance of commercial centres and churches. In case they do not manage to get the money to buy food, their refuge is glue, which they inhale to soothe the sensation of hunger. Most of them do not frequent schools, because they do not have schoolbags, school supplies, money, and home. Even if the responsible directions try to solve the schooling problem, in most of cases this thing is impossible because these children do not have permanent residence visa.

Many children practice beggary even in other countries, especially in the Russian Federation, being imposed by their own parents or by traffickers. Those who have families, can support from beggary their parents and siblings.

Many old people also are in this situation, standing with stretched hand.

Many of beggars are former teachers or specialists in other domains. Some of them were thrown in the street by their own children or were fraudulently left without a shelter.

Most frequently, the “houses” of the homeless are the building's basements, roofs, tunnels, sewerages. Because of the absence of hygienic conditions, many of them suffer from pediculosis. Skin and kidney diseases are as well quite frequent among street people.

This phenomenon continues to be treated as being in the competence of law enforcement authorities and not of the protection system and social services. Thus, many beggars are hospitalized in a detention centre with strict regime, subordinated to the police. The church took little responsibility of defending and protecting the poor and unprotected.

### Target group

- persons without accommodation and stable sources of income;
- disorganised families where there is violence, alcoholism and poverty, which determine children to leave home;
- families in crisis situations (generated by the parental divorces, for example);
- lonely old people;
- social assistance institutions;
- civil society.

### Impact

- irrational nourishment and cold, lack of basic hygienic conditions makes them vulnerable to different diseases;
- daily stress generates psychological problems for them;
- the illiteracy and the rate of school non-attendance is increasing;
- the level of criminality is increasing.

### Dynamics

This phenomenon has its specifics determined by its dynamics and its superficial previous treatment. Information about this phenomenon is quite vague and contradictory. Beggars and homeless people are almost in every region of the country, but mainly in the capital. The attitude of the society is defined as limiting and non-understanding, social solidarity is virtually missing.

According to the data of the centre for Correction of homeless and beggars, the centre was visited by over 2 700 homeless people in 2005. Some days over 30 homeless people were coming to the Centre.

In 2000-year number of street children in Chişinău municipality has increased to 400. According to the data of the centre for Correction of homeless and beggars, the centre was visited by over 2 700 homeless people in 2005. Some days over 30 homeless people were coming to the Centre. Currently, according to the Ministry of Internal Affairs, over 25 453 children in the Republic of Moldova are left with no parental care and the supervision of both parents while 41 000 are under the supervision of only one parent. In 2004, the number of children left with no parental care constituted 23 000 which means that daily nearly 6 children were left with no parental care in 2005. Currently, the tutorial organs in the capital have registered 720 children with no care, and 108 of them without the care of both parents, and another 93 risk to be abandoned. In 2000, it was estimated that the number of children of the street in Chişinău municipality rises to 400.

## **Factors**

- The poverty that dominates the society generates a massive exodus of the young population followed by the break-up of families and no supervision of the children;
- The incapacity of the system of social protection to respond to social needs;
- Psycho-social factors: dysfunctionality of families, alcoholism and violence;
- Migration of the population;
- Lack of efficient policies of the central administration to reduce unemployment.

## **Anticipations**

Although the situation of the street people represents an important problem for the society, its attenuation will last longer as it is not a priority for the central administration and more of the local ones that do not have the sufficient funds for its solution. Except for the winter time, the problem of the street people does not bother anybody, thus their situation is not in the attention of the public.

## **Questions**

- Who should take the responsibility to organise a contest of employing homeless people?
- How real would be the adoption of a law regarding the fine of the persons who offer help to homeless people in order to prevent their dependency on free-of-charge support?

## S 9. Environmental pollution

### Subject

In spite of the fact that, different actions are taken for sanitation problem solution, the situation in this sphere continues to be alarming: non authorized garbage storages that are real pesthole of some potential ecological explosions, the bad quality of wells water that is used mostly by the rural population, that represent a half of country's inhabitants, etc.

### Description

The process of degradation of environment has grave impacts on the public health. The principals sources of this problem in urban medium is the high concentration of hazardous gases from atmospheric air, mostly because of long term use of motor vehicles and absence of equipment of neutralization of auto exhaustion gases, that determined the increase of respiratory, allergic, oncological diseases. The annual medium concentration of nitrogen oxides in Chişinău, Bălţi and Tiraspol municipalities outrun the maximum admissible concentration more than 1,5 times, of sulphur oxides in Bender municipality 1,7 times. Ecologists affirm that the effected studies in the Republic of Moldova show that the vehicles 70 % from environmental pollution.

Even if Republic of Moldova has access to two big rivers, it is confronting a deficit of drinking water resources. The limited access to water is referring especially to poor persons and to rural population. Indicators of water quality are in continuing decrease. Is it to be mentioned that the Republic of Moldova resources allows water supply of the population, because according to the last estimations, for one citizen of Moldova there are about 4 thousand cubic metres, starting from the volume of the water from Nistru and Prut rivers. However, from the 300 thousand of wells and springs in the Republic of Moldova, only 10% are relatively not polluted, the rest being contaminated with nitrates and other chemical substances, the last statistic data shows. The pollution reached not only the surface water, but also the underground too. The main sources of pollution are the leaks from sewerage systems from industrial units and the high number of non-authorized garbage storages.

In the context of sanitary deficiency, the processing of residual waters in purifying station is also included, from 560 purifying stations only half of them work. Another problem is the reduced level of informing te population about the quality of used water, as well as ignoring the obligations of active involvement in the process of collecting wastes and of maintaining the local water sources.

Until the present, the problem of accumulation and storage of industrial and domestic wastes remains unsolved. Presently, in the country there are accumulated more than 30 mln. tons of offals, inclusive over 6 millions tons of industrial offals remained from processing of constructional materials, food and drink products. The existent platforms of storage of offals (with a total surface over 1000 ha.) cannot assure ecological security. In most of the rural localities and small towns, such limits of depositing actually do not exist. In consequence, a considerable part of households and economic agents deposit illegally the domestic and industrial offals on unprepared fields (on streets, rivers bank, cliffs, etc.).

Major dangers of environmental pollution represent the toxic substances and offals, inclusively the unused pesticides. Presently, in the Republic of Moldova there are almost no localities where there would not be found signs of chemicals. They are everywhere: in the air, water, soil. Their quantity is approximately 1712 tons, held in 340 deposits, 80% of them are in an unsatisfying situation. A similar situation exists in the energetic system where an enormous quantity has been accumulated of used condensers and oils, contaminated with polychloride bipheniles (another substance from the persistent organic pollutant class). Approximately 23920 tons of oils contaminated with polychloride bipheniles, used in the energetic sector, represent a major danger for the environment. Such chemical storehouses are placed at outskirts of localities, in the immediate neighbourhood to houses. Due to financing of World Bank, the local authorities evacuated the chemicals, but did not clean the fields and did not eliminate the deposits. As a result, the sources of drinking water are deteriorated and the health of the population has to suffer.

### Target group

- the entire population of Moldova, especially the population from rural localities and the poor people;
- Central and local public administration;
- Ministry of Ecology and Natural Resources;
- Auto salubrity administration;
- Health ministry;
- Non-governmental organizations.

## Impact

- High frequency of morbidity of cancer, viral hepatitis B and C, hepatic cirrhosis, intestinal acute affection, abnormal development, low fertility, lower immunity, reducing of intellectual capacities;
- Decrease of level and quality of people life;
- Decrease of productivity of the natural potential.

## Dynamics

The efforts of the international and the non-governmental organizations are felt in this domain, with their support in a series of localities, there were arranged authorized garbage storages, destroyed the unauthorized ones, etc. In the period of 2004-2007, The World Bank implemented a pilot project of supplying water and sewerage in 5 localities: Orhei, Cahul, Stefan-Voda, Soroca, Balti, Corjova village, Criuleni district, with the purpose of increasing the population welfare by improving the quality, efficiency and reliability of services of supplying water and sewerage.

In 2007, there was expected the conclusion of the work of renovation and centralized depositing of stocks of old pesticides with the financial support from NATO state members. Evacuation and destruction works of persistent organic polluting stocks were launched on 27 October 2006 at the transformation station "Vulcanesti 400kV". Throughout the next 10 months at this and another 12 stations of State Enterprise "Moldelectrica" were dismantled and transported to France in order to be destroyed over 19 thousand of electric condensers weighing over 950 tons. The works of this part of the project were finalized in the middle of September.

The evacuation of the unused and forbidden pesticides started on 16 March 2007 at the central deposit of the Ratus village, Telenesti district. By the middle of September, the central deposits were cleared in 4 districts where 400 tons of wastes had been evacuated. the works will be finished by February 2008.

## Factors

- Lack of elementary hygiene knowledge of the population, including the children, parents with small children; not respecting the personal hygiene, the hygienic regime of selling and storing food products, the pollution of sources of drinking water, places of entertainment, inefficient salubritization of localities;
- The decreased extend of ecological education of the population;
- Around 2/3 of the population of the Republic of Moldova had heard of viral hepatitis B and C and realizes the seriousness of this problem. Although most of the interviewed know some symptoms of viral hepatitis B and C, more than 40% don't know that viral hepatitis can be asymptomatic<sup>1</sup>.

## Anticipations

The sums assigned for the environmental protection in the 2008 budget are 11.8 mln lei less than in 2007. The activities supported by the World Bank referring to adjustment and elaboration of the normative framework regarding the settlement of the persistent organic pollutants have to be finalized in 2008 when the Parliament and the Government of the Republic of Moldova will be presented for examination and approval, the new normative framework regarding the settlement of the persistent organic pollutants. Also, the identification activities of the pollutant residues and the polluted areas will be

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<sup>1</sup> The results of the research of the USAID project "HIV/AIDS and Hepatitis B and C Prevention"

launched in 2008 according to the new legislative and normative framework.

## Questions

- To what extent is the population informed about the influence of the environmental pollution on health?

## S 10. Culture in a dead-end

### Subject

In the Republic of Moldova, a crisis of culture administration prevails at all levels. The absence of a long-term culture policy and determination of priorities combined with small salaries of the employees of the cultural system and the absence of investments had acted as consequences of massive exodus of specialists of this domain to other domains of activities or other countries.

### Description

In the majority of the former Communist countries, notwithstanding the economic situation, the cultural activity enjoyed support and prestige. In Moldova, theatres and people of culture do not have support, or prestige, the subventions for theatres and actors' salaries being in Moldova in the last 15 years the smallest from all ex-Soviet space.

The network of cultural institutions in the territory includes 1 227 of Cultural Houses, 1 380 public libraries, 110 art, music and picture schools and 80 museums<sup>1</sup>. The specialists consider the cultural houses have been and have to be the principal institutions of promoting and organization of the cultural activities in our villages. Today the cultural houses from villages are subordinated to mayors and local councils, but in the process of transferring them to the balance of local administration, nobody took into consideration the possibilities of these communities to maintain the activities of the community centres. Thus, the situation of majority of these buildings does not correspond to the place and to the role that it should have in supporting the national culture.

In the Republic of Moldova, there is a significant number of well-intended laws, but at the practical level this thing is not felt. The Ministry of Culture does not have the resources to absorb the ideas and projects that come from institutions and cultural people, the emphasis is laid on the tourism branch that is more developed and advantageous from the financial point of view. The web page of Ministry of Culture does not contain any information about the cultural people, programs and cultural events. It is a web site for the potential tourists that would like to visit Chisinau. The government constantly forces finances for its own projects, that can hardly be framed as objectives of the culture (The Memorial of Soldier/Chisinau, The Candle of People/Soroca, The Caravan of Culture). Thus, the main investment in culture is in the Caravan of Culture, appreciated by people of culture as having an extremely low artistic value and which has very serious objections, fixed in decision of the Court of Appeal, which shows that in 2005, 2006 there had been financial embezzlements of over 5 millions lei.

The principal object of consumption – books and literal publications – confronts with small market consumption in Moldova and, consequently, the independent publishing houses export 80% of books from the Romanian market. There is a big discrepancy between the publishing houses with state financing and independent publishing houses, the first producing quite a little (about 2,5% from total editorial production) and directing the money according to unknown principles and criteria, and those private risking their own money and producing concurrently the predominate majority of editorial production.

The non-profit sectors involved in cultural activities do not have a real support from state authorities and cannot develop their capacity to influence the consolidation of a viable artistic market.

### Target group

- People of culture;
- Ministry of Culture and Tourism;
- Employees from cultural sphere;
- The non-profit sphere.

### Impact

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<sup>1</sup> The cultural policy of the Republic of Moldova: from changes to reforms and viability (Statements, ideas and suggestions of the people of culture- participants at 5 round tables organized by the Foundation Soros-Moldova)



- Withdrawal of qualified specialists from cultural sphere because of absence of support;
- Degradation of morale values, especially in rural medium;
- Increase of alcohol consumption, drugs because of lack of cultural occupations.

## **Dynamics**

The Ministry of Culture and Tourism, the institution that has to be the first promoter of national culture, has presently only 33 employees, comparative with 104 that worked on 1 January 2005. The budget of the Ministry of Culture and Tourism does not have sufficient funds; the transparency of their use is missing. Also, there is not a press service in this ministry, the cinematographic direction was liquidated, while in the personnel of "Moldova-film", from about 600 persons, there barely remained any qualified staff. Even if the equipment of "Moldova-film" studio is old; the studio is systematically rented by different foreign companies for film production. This is a proof that the company has kept its capacity of film production.

In 2007 there took place, just as in previous years actually, a series of cultural actions, organized mostly by public local authorities from austere resources, by nongovernmental organizations, with the support of donors or by commercial companies. Thus, there was inaugurated the Memorial from Ialoveni, the bust of Angela Paduraru at Nemteni, Hincești etc. The Museums' Night took place, some national and international festivals.

## **Factors**

- The Ministry of Culture and Tourism does not contribute accordingly to the revival of culture, to its image, or its image abroad;
- The state does not have an elaborated policy of development and reorganization of cultural houses;
- Financial absence and deficient administrative reforms had lead to destruction of many cultural places.

## **Anticipations**

The expenditures for culture, art, sport and actions for youth in the 2008 budget were allocated 245,2 million lei, suffering a more than modest increase– with 20 millions lei or with 8,9% compared to the implemented budget in 2006. The increases refer to subsidies for the theatrical-concert institutions, magazines for children and social-cultural magazine "Moldova". 1 million 817 thousand lei was allocated to "Euro Moldova Art" Association for the organization of Caravan of Culture, in the same time, for all Unions of Creation from Moldova there are allocated only 720 thousand lei.

## **Questions**

- Is the Caravan of Culture a unique project worth of support in the culture sphere?
- Who can save our culture?
- Why did it have to pass six years to settle the problem of the theatre"?

## S 11. Vulnerability in front of unfavourable climatic condition

### Subject

Being an agricultural country, Moldova is strongly affected by every unfavourable change of climatic conditions, such as frosts, drought, hail and others. In the absence of a mechanism of preventing and diminishing of these risks, the impact is much bigger, even catastrophic.

### Description

More than a half of the population of the Republic of Moldova lives in villages, respectively, their first source of maintenance is agriculture. Moreover, by selling their agricultural products in towns, the population from villages assures themselves a necessary minimum of financial resources.

Generally, the productivity in agriculture is at a very low level and in the situation of some unfavourable climatic conditions, farmers register net damages that is they do not even recover the invested spending in agricultural works.

The drought from this year, according to scientific classification, can be appreciated as a catastrophic one. The volume of rainfall, in the period of September 2006 – 20 July 2007 was of only 50-75 per cent from climatic norm, in the last three months the respective index being of 6-50 per cent; the medium temperature of air constituted, in May–July, 21-23 degrees with a record outrunning the norm by 3-4%. Director of Hydrometeorology State Service noticed that the level of gravity of this year drought, conform to stated indexes, can be compared with that of 1946 year, when the quantity of rainfalls constituted half of the multi-annual norm, but the deviation of average air temperature norm was of 2-3 degrees.

The registered proportion of this summer drought in Republic of Moldova generates fears that our country can face a famine. Even if authorities denied this fact, however the Government from Chisinau asked for external help, as financial or food assistance, in order to avoid a crisis accentuation. The launched request had received a positive answer from Romania, Russia, EU, great Britain, Belarus, as from a series of international organizations. Even if Moldovan authorities promised to assure a transparent mechanism of monitoring of all humanitarian help, a lot of international organizations independently initiated missions of identification of necessities and distributed the assistance directly to the rural regions, without intermediaries.

The manner of help request caused some perplexity by applying to donations of food with a detailed list (wheat, potatoes, meat and other of this kind) and amplifying the notoriety of the Republic of Moldova as the poorest country in Europe. The donors were almost asked to compensate the lack of a policy of planning and management of an exceptional but predictable situation that are quite frequent in the Republic of Moldova. Incoherence seems to be characteristic for the economic policy of Chisinau. On one hand, the Executive announces “limited available resources” and budgetary losses of 518 mil. Lei and on the other hand, the state had pardoned the tax payers of debts of about 4 billion lei by a legislative initiative signed by the President Vladimir Voronin regarding the liberalization of economy and fiscal amnesty.

### Target group

- Farmers;
- Population from rural medium, especially the poor people;
- Families that live from agriculture;
- Old people, especially the lonely one;
- Ministry of Agriculture and Industry.

### Impact

The negative consequences of these unfavourable climatic conditions are obvious especially in the welfare and food security of the population. This is due to the fact that most of households maintain their

existence mostly from agriculture.

According to official estimations, the budget losses caused by the drought of this year amounts to about 12 billion lei. Almost all land crops were affected irretrievably, the farmers' losses being immense, with grave impacts over the food security mostly for the population from villages.

High temperatures registered in this summer and the absence of rainfalls practically reduced to zero the yields of fruit and vegetables, generating a chain increase of the price of food, as well as of other goods. As opposed to the state enterprises that did not change the price for bread, the private bakeries all over the country's territory had increased the price for bakery products with 20 %.

Due to the drought, a lot of grassland has dried and the population having no possibility to feed the animals had to sacrifice them. This fact explains the relative constancy of meat price; in the long run however, it affects the dairy industry that suffers from absence of raw material.

The effects of drought will be felt mostly in the long term and will have a more serious impact especially in 2008, due to the fact that presently people have some reserves that will end in spring.

Besides the economic impact, the unfavourable climatic conditions have a deep social impact. That is, by villages' depopulation, the insurance of a decent living only out of agriculture it is impossible. Population migration from villages to towns and migration abroad is a direct consequence of deplorable situation in which the agriculture is at this moment.

## **Dynamics**

For 7 years, the agriculture has been in stagnation. The unfavourable conditions are reducing the profitability of the sector, thus limiting the capacities of farmers to finance their agricultural works. Due to the crops threatened by the drought there is a chain increase of the prices of the food products. For example, in 2003, because of draught agriculture suffered a decline of 14%. That arid climate affected mostly the production of cereals, vegetables, fruit and sugar beet.

Apparently, the situation does not seem to be so dramatic as the Government declared to allocate subventions up to 70% for the purchase of the insurance of agricultural goods. However, they get with difficulties into the pockets of the farmers because of lack of information or the system of insurance is not well developed. Even if there is sufficient number of insurance companies on the market, only a few of them provide these services with large costs. Additionally, they are not really interested in insuring certain types of risks, especially in agriculture. Even if these subventions reach the destination, the beneficiaries are the farmers who possess large lots of land and the less are those with smaller lots who practice agriculture of sustenance.

The dry conditions of the current year demonstrated again that irrigation in Moldova has a decisive role in obtaining some stable harvests. Thus, the reestablishment and development of irrigation systems is an important condition in insuring the stability of agricultural sector.

The situation in this sphere will get extremely aggravated if the drought will continue the next year taking into consideration the likelihood of biannual character of this natural phenomenon.

A series of projects and investment programmes stipulated in the state budget were reduced, including the reduction of some social projects. In order to overcome the drought, there were allocated 350 mil. lei that will be used to support the farmers, this sum being insufficient to overcome all the consequence of the drought.

It is true that the Government initiated measures of facilitating the imports of grain and exemption from customs taxes and VAT. These measures did not refer unfortunately to the extension of these facilities for other food products, in order to reduce, or at least maintain the prices at the same level.

## **Factors**

- Geographic location of the Republic of Moldova;
- Lack of efficient mechanism of crisis prevention;
- The low level of mechanization of agriculture works, weak technical provision of farmers;
- The excessive use of the fields in the country that makes them vulnerable to different climatic phenomenon and especially drought;
- Unbalanced and inefficient subvention of the agriculture;
- Absence, or better to say the late creation of an insurance fund of risks in agriculture;

- Lamentable situation of irrigation systems;
- Absence of agricultural types that are resistant to draught.

### **Anticipations**

The draught caused a misbalance at agricultural production level, animal breeding, capacity of farmers to invest in the land cultivating etc. But this situation will return to normal just in 2009 year provided that the next two years will be fruitful.

### **Questions**

- How can be diminished the effects of unfavourable climatic conditions on the agriculture?
- Will the bad experience of this year make the agriculture producers insure their crops?
- To what extent was the money, which came from abroad as aid for the liquidation of the drought consequences, transparently managed?
- How will the Government protect the people from vulnerable categories?

## S 12 The social costs of cancelling the entrepreneur licences

### Subject

Starting with 1 January 2007, the changes to law 208 came into force operated by the Parliament at the initiative of the Government, by which the licence issuance for enterprises for some types of activities was cancelled. These provisions generated dissatisfactions and street protests by the licence owners.

### Description

Initially, the licences were conceived as authorisations obtained for a single tax for people that have limited financial resources, but who would like to start a business. In July 2006, the Parliament decided to reduce gradually the list of economic activities that can be practiced with licences. Thus, from 14 January 2007, the flower cultivators, transporters of goods, in some cases, and of passengers, the sellers of commodities goods, furniture or construction materials cannot activate with this type of licence, a list that will increase in next years.

Thus the fate of 40 thousand owners of licences and members of their families was affected, because selling in markets was their only chance of surviving. Until now, the money obtained from selling licences got into the mayoralty's budget, it constituted approximately a half of all local taxes.

The ground for these modifications, according to the Ministry of Economy, was the fact is that some big companies were laundering great amounts of money via the licence owners. Even if the official aim of these modifications was offering a legal framework for the activity of small entrepreneurs in order to pass to a new form of commerce, such as the individual enterprise or the limited liability companies, it came to conflicts and discontent from all the parts involved.

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It should be mentioned that the licence was offering conditions for self-employment and the EURMAP clearly stipulates “involvement into dialogue related to labour force and social sphere employment in order to elaborate an analysis and evaluation of the current situation and to identify the key problems and the possible solutions in this policy”. The licence proved to be a very efficient instrument for the stimulation of certain types of business, which are not very attractive at the moment. as a result, the unemployment will increase, so thousands of citizens will gradually become jobless. Licence owners claim that the working places are taken from them without offering anything in return.

### Target group

- Small businessmen;
- Market managers;
- Mayoralty;
- Ministry of Economy and Commerce.

### Impact

The social costs of cancellation of enterprising licences can rise above the estimations of 2 billion lei forecast by the representatives of the Ministry of Economy and Commerce as gaps in the state budget determined by the evasion that involves according to the Ministry the licence owners. The cancellation of licences also means lack of payment of some financial sources to the local budgets and transforming the economy in a corrupted and dark one.

The creation and maintenance of individual enterprises will involve expenditures 5-6 times more than the one that the licence owners have. Thus, it will be necessary to employ an accountant, buy a cash register, have some other expenses that will generate the increasing of prices of the sold goods. From the 65 thousand of individual commercial enterprises only 2-3 per cent work, the cost of the business in Moldova being higher than in other countries. Thus, a good part of small businessmen will become bankrupt. As a result, the number of those who sell in markets will decrease dramatically and, finally the people who run the markets will have to suffer. Out of the around 40 thousand of licence owners at the beginning of 2006, at least 30% will be left out of business. Being jobless, they will have to go abroad in order to support their families. In this regards, the Government is the one that stimulates by its actions the migration in order to obtain some job abroad.

## **Dynamics**

From Edinet to Cahul the licence owners began to protest from autumn last year, the protests were not reflected in public television news. During the first four months of the year every month there took place four-five protests of the licence owners.

There were created protests committees in markets against the Law208, with having at the same time protest action in all the markets of the Republic of Moldova, as well as in Chisinau.

## **Factors**

- Existence of some political interests;
- Inexistence of some conscientious solutions to satisfy the licence owners;
- the habit of the Government to adopt some measures without consulting the business environment or the social layers directly affected by the respective decisions;
- Incapacity of economy and autochthon business to generate sufficient places of work to employ all the available labour force.

## **Anticipations**

On 1 January 2008 and 1 January 2009, there will be eliminated other types of activity from the licence regime of enterprising, even if at the end of 2007 year the problem does not have the same intensity, the protests will be resumed.

By not having another source of existence, the people will continue to sell in markets, bribing policemen, market employees and local public functionaries, with losses for the budget.

## **Questions**

- Is the revision of the law regarding the licence entrepreneurs rightful from the economic point of view and what are the implications of this legislative decision?
- Notwithstanding the damage caused by some of the licence owners, is the cancellation of the licence justified from the social and economic point of view?

## S 13. Protection of the immigrants abroad.

### Subject

The citizens of the Republic of Moldova who went abroad to work legally or illegally, are deprived of protection as concerns the working conditions, access to social and medical services, payment, frequently facing discrimination from foreign authorities, and indifference from the authorities of the Republic of Moldova.

### Description

According to the estimations, from 600 thousand to one million of citizens of Moldova work mostly abroad<sup>1</sup>. Every fourth immigrant from Moldova travels abroad illegally, and every third lives or works illegally<sup>2</sup>. The migrants from CIS countries frequently confront with many serious difficulties in relations with local authorities: despotic treatment from the local police, disrespectful or even violent behaviour from the employers, and lower remuneration than initially agreed upon. The migrants often are aggressed, their money being taken away and other goods that they possess; they are suspected and accused of different violations and offences that they did not commit. Those who leave to European Union countries are confronting frequently with problems connected to lack of knowledge of the language and the legislation of the country where they work.<sup>3</sup>

The performed studies in the Republic of Moldova about the health risks of migration indicate that 89% of Moldovan migrants who went abroad to work are confronting with problems at the working place, being exposed to high or low temperatures, 26% work in bad sanitary conditions, and 16% in agglomeration. As concerns the living conditions abroad, 39% of migrants indicated the absence of it, 24% bad hygienic conditions and 22% agglomeration<sup>4</sup>. Thus, the bad living conditions in the destination country, associated with permanent stress are badly reflected on migrants' health.

To all these problems, the difficulties are added connected with embassy interviews and consulates of the Republic of Moldova abroad. The migrants can hardly succeed in scheduling an appointment, the reason being the big taxes for the requests<sup>5</sup>.

Thus, the bad situation of migrants who went abroad is caused first of all by the illegal status that the Moldovans have, the unskilled work, and absence of working contracts, not knowing the language and legislation of the country in which they are. The Moldovans are compelled to face the discrimination and prejudice from the authorities of the state where they went to, as well as the indifference of the authorities of R. Moldova's authorities towards their fate. Although the Republic of Moldova benefits from million of dollars sent by workers abroad, it cannot protect its citizens from the abuses that take place there.

### Target group

- Legal and illegal migrants;
- Migrants family members;
- Ministry of Social Protection, Family and Child;
- The Government of the Republic of Moldova.

### Impact

Migration represents risks for migrants, their families, as well as for the state. Most of the migrants don't have medical insurance and in case of getting ill they don't address to medical assistance. They postpone this for the period when they return home and they come back with grave health problems.

The doctors state that the number of people with tuberculosis increased among the migrants as a

<sup>1</sup> Timpul, 19 July 2007, The remittances are a third of GDP.

<sup>2</sup> Recent Trends in Migration and Remittances in Moldova. The CBSAXA Survey, 2006, p.4.

<sup>3</sup> Ibidem, p.27.

<sup>4</sup> IOM study "Health risk of the migration", 2007.

<sup>5</sup> Timpul, 17 September 2007, Interview with T.Grosu "The state doesn't care about its citizens abroad".

result of precarious working and living conditions. The data from the tuberculosis Institute from Chişinău indicates that 56% of the persons with tuberculosis, who died in 2005 year, previously had worked abroad<sup>1</sup>.

The health of migrants threatens also the health of their family members when they return with tuberculosis, HIV /AIDS infections or other sexually transmitted diseases. Migration difficulties encourage human traffic phenomenon. Lack of their protection makes the Moldovan migrants end up their life abroad in uncertain circumstances.

A significant part of migrants don't pay social contribution in R. Moldova, but after coming back to the country will want to benefit from the payments of the Moldovan system of social protection.

## **Dynamics**

Due to the fact that the visa regime for the citizens of Moldova has become stricter, the process of migration involves different illegal aspects that favour the lack of protection and the increase of risks for the Moldovan migrants.

In 2006, the National Migration Bureau was dissolved, which stopped many of the initiated activities for the signing of bilateral agreements in the sphere of migration and employment of the Moldovan workers. The Republic of Moldova would have obtained maximum benefits, had it signed these agreements before the extension of the EU borders.

An important change realized in 2006 year by the Ministry of Labour of Italy that announced that it is disposed to present to the authorities of the R. Moldova the database of the Moldovan migrants. This fact could allow negotiations of some aspects related to the social protection of migrants – the equivalent of the working experience, solving of problems connected to the social transfers, however the Moldovan authorities still have not given an official answer to this request.

## **Factors**

- Absence of some mechanisms of efficient informing;
- Absence of an efficient emigrational policy;
- Absence of some agreements concerning the legalization of Moldovan workers abroad;
- Absence of some agreements of social protection of migrants;
- Poverty, low salaries, high rate of unemployment.

## **Anticipations**

In the next years, the actions will continue from international communities and from some nongovernmental organizations to inform the population about migration risks. Under the pressure of some external factors the Government of R. Moldova will involve more actively in the settlement of migration problems, signing bilateral agreements concerning migration legalization, employment, agreements of migrants social protection, temporary employment programmes, etc.

## **Questions**

- What changes should be done in order to protect the Moldovan citizens abroad (those who are abroad, but also those who intend to leave in near future)?
- What are the benefits of the social protection of the Moldovan migrants who are working abroad?

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<sup>1</sup> Ziarul de Gardă, 18 January 2007, The guest workers – the main “importers of tuberculosis”.



## S 14. The family institute assaulted by the migration challenges

### Subject

The family institute is exposed to danger in the Republic of Moldova, being gravely affected by the excessive migration of the population to work. There occurs the deterioration of the married relations and family dissolving, abandonment of some important functions of the family such as reproduction, education, socializing of children etc.

### Description

The family remains to be the institution that is exposed to hardships by the migration phenomenon because there are changes in the way of its formation, size, structure and the function of the family. We witness the changes regarding the roles in the family – husbands trying to perform the role of the wives, wives of husbands, older children – of mothers, etc.

The studies show that 60% of migrants divorce, thus the person who takes care of the children gets into constant stress due to these situations, frequent losses of the trust in future and falls victim to different social vices.

Mostly affected by migration are the children who suffer multiple traumas because of separation from the parents. Small children suffer because of lack of love and security feeling that parents should offer, especially the mother. For the teenagers are characterized some forms of psychical and physical overworking, also diverse risks in choosing their profession, the development of consumption behaviour, the appearance of delinquent behaviour.

Many of the children and teenagers wrongfully perceive the family institution, life values and principles, have a confuse image about these issues, take over their parents behaviour. Young people see the Occident as “paradise” and import new family models and new life styles, thus determining the crisis of the traditional family pattern.

In these conditions, the family institution is losing its social and educational functions, the fact that threatens the society health as well.

### Target group

- Children and youth whose parents left abroad;
- Recently married families;
- Migrants;
- Old people whose children left abroad.

### Impact

There appeared a new model of family – “family at distance” that is accepted by an important part of society. This model of family contradicts the social and juridical norms that settle the responsibilities of the family members, because the support of the physical health of family members is not realized their emotional stabilization, as a result many families alienate, and some of them even come to divorce.

The life cycle of the family is disturbed that determines the decrease of fertility among the married population, because just married couple “leave the country on the second day after wedding”.

In the process of socializing, the children are confronting with certain difficulties, but the educational level of children has to suffer quite much. Children overtake the parents’ model or risk to adopt an aggressive behaviour in the absence of supervision.

We witness an essential transformation of the family values that do not emphasize anymore the spirituality, the morale decreases and the spirit of support of the old people diminishes, the relations between parents-children are getting ruined. The parents are left alone in their old age, scared at the thought that “I will die and nobody will know it...” the current situation is determined by the frequent cases when the migrants do not come to the funerals of their spouse, parents, children.

The social control from the parents over the children is decreasing; also the family connections and

other social institutions are weakening.

## **Dynamics**

The migration frequently generates negative social consequences in families, consolidating the crisis of the traditional model of the family. The number of children is increasing who live without one or both parents because they left abroad. According to the official information published by Ministry of Education, in February 2005 circa 28 thousand of children were living without both parents, more than 5 thousands than in December 2003, and 68 thousand of children were living with one parent abroad.

The data of the study “The Remittances and Migration in the Republic of Moldova -2006” showed that a number of 177195 of children had parents working abroad, among them 21860 of children had both parents abroad. The majority of these children (79.5%) come from villages.

The migration determines new models of behaviour that are followed by the migrants' children. A lot of them do not even try to find a job in the Republic of Moldova, but orientate to leave to the countries where their parents are already. In a few destination countries of the Moldovan migrants, there are established diasporas or other similar networks that considerably facilitate the arrival, accommodation, finding a job for the second generation of the migrants.

## **Factors**

- Absence of an efficient migration policy;
- The indifferent attitude of the state towards the family institution;
- Absence of some supporting social services for the children whose parents left abroad;
- Import of some family models from Occident.

## **Anticipations**

We are about to have a youth generation educated by the street, films, computer games, indifferences towards family values and principles, precarious health, that don't know what parental love mean, are irresponsible consumers, and don't respect the parents, or the society.

There will be a decrease of the number of population, because of fertility rate decrease. By 2015, it is expected that the Republic of Moldova will lose 76000 women of reproductive age (UNFPA Study, 2003) and the number of the population will decrease to 3 million in 2050.

## **Questions**

- Are the migrants aware of the impact of their leaving abroad on their families?
- Why cannot the family face the new challenges of the contemporary society?

## S 15. The demographic crisis - a challenge for the social policy

### Subject

The Republic of Moldova is facing a deep demographic crisis that began to manifest from the last decades of USSR existence.

### Description

The demographic crisis is manifested by the reduction of birth rate, health worsening and increasing of mortality, decreased longevity, and the change of the traditional family model. The negative consequences of demographic crisis caused by social and natural factors are worsened by the labour force exodus, especially by those of reproductive age who are abroad.

According to the last studies, our citizens who left the country initially want to accumulate money to return eventually to the Republic of Moldova. However, they change their priorities and don't want to come home. In the first years of this phenomenon, the migrants from villages, as well as those from towns, were leaving temporary to re-establish their financial situation. Presently, 14% want to settle in the West countries<sup>1</sup>. The decision of staying abroad belongs, in most cases, to young people up to 30 years (especially, women), willing to start families in the countries "of adoption". Time modified the migration mechanism. As a rule, those who left attract all their family abroad. There appeared a demographic phenomenon that is graver, as the massive divorce of the migrants. About 60 % of the families in which there is present the migration phenomenon divorce. Violence in the families of the R. Moldova is a factor that determined the women to leave and not to return to the old conditions of existence.

The statistic data indicates that young people from the Republic of Moldova take over the demographic behaviour characteristic to the developed countries. They choose education and postpone the marriage moment, follow the professional career and adopt the model of one child in family.

The data of the Statistic National Bureau shows the evident tendency of depopulation accentuated in the north administrative units, less in the central or south ones. The maximum reduction constituted 17% of the number of the population in Floresti administrative unit, 15,5% for Edinet, 13,52% for Soroca, 13% for Orhei. The country average oscillates between 8-10%. Thus, it is noticed the tendency of national demographic misbalance. The demographic decline is dealt with at the governmental level in all neighbouring countries (Ukraine, Romania, Bulgaria, Russia), for the time being R. Moldova is the only country from the region that does not have demographic policy and strategies. This is in conditions when the demographic behaviour changes very hard and it takes several years to obtain some changes.

### Target group

- Family and children;
- Old persons;
- Active population;
- Government and Parliament.

### Impact

The demographic crisis causes a dramatic decrease of the number of the population as well as its demographic ageing, including ageing of working forces. This will reflect negatively on the national economy, as well as on other social sectors.

Birth rate will continue to decrease in the next 15 years. At the same time, we will assist at the dramatic decrease of the number of persons capable to work. Thus, the demographic long-term prognosis state that the population of the Republic of Moldova will decrease towards 2050 year with 1 million, and in 2130 year will constitute 1,5 million.

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<sup>1</sup> Recent Trends in Migration and Remittances in Moldova. The CBS AXA Survey, 2006, p.4-5.

## Dynamics

In the last 35 years, the number of the population and its age structure has suffered radical transformations. The number of the population decreased from 4337,6 thousand in 1989 to 3581,1 thousand in 2007. The Republic of Moldova with a “demographically young” population (coefficient of demographic ageing constituted 9,7 persons of over 60 years to 1000 of inhabitants in 1970) became a country with a “demographically ageing” population (coefficient of demographic ageing reached 13,7 at the beginning of 2007) <sup>1</sup>.

The demographic crisis is characterized by reduction of birth rate (from 20,6 in 1975 to 10,5 inhabitants in 2006 to 1000 inhabitants), increase of death rate (from 9,3 in 1975 to 12,0 deceased in 2006 for 1000 inhabitants), the high rate of migration, the decreased rate of marriage (from 10,6 in 1975 to 7,6 marriages for 1000 of inhabitants in 2007), the increase of divorce rate (from 2,3 in 1975 to 3,5 divorces for 1000 inhabitants in 2007) <sup>2</sup>, the decline of the population health.

According to statistics, every seventh woman from the Republic of Moldova cannot give birth to a child, and about 17 couples from one hundred are sterile. In every family from the rural locality there is, at least, one person who left to the foreign countries. In 2001-2005 years, the number of active population had decreased with 13%, and that of pensioners - with only 7%.

The small birth rate is determined by the single birth payments and child raising subsidies that are symbolic and which in 2007 constituted 1000 lei and 20% from the average salary of the last 6 months for the insured persons and 100 lei for uninsured persons.

## Factors

- Absence of demographical policy and strategies;
- Absence of necessary financial resources to introduce stimulating actions of the birth rate;
- Population migration, in special of young population;
- Women emancipation;
- Absence of living conditions for the young families.

## Anticipations

According to the estimated data of UNFPA by 2050 the population of the Republic of Moldova will lose 1 million inhabitants, and by 2130 it will be reduced to 1,5 millions. In these conditions, the National Commission for Population and Development was created in 2007 year under the pressure of UNFPA and other specialized UN agencies that will begin the elaboration of policies in this domain.

## Questions

- What are the most viable social-economic measures that could determine the increase of the birth rate of the population?
- Will the provision of accommodation to the young families determine the increase of the birth rate? How quickly? How efficient will this solution be?

<sup>1</sup> Anuarul Statistic al Republicii Moldova 2005. – Chişinău, 2006, p.45.

<sup>2</sup> Dezvoltarea social-economică a Republicii Moldova în anul 2006. – Chişinău, p.60

## S 16. To be old in Moldova...

### Subject

Most of the elderly in the Republic of Moldova have worked their whole life hoping that when old they will rest and will not suffer of any shortages, however they face several difficulties: small pensions, miserable living conditions, severe health problems, the frequent antipathy and humiliation coming not just from the state but also from their own children.

### Description

The number of people aged 60 or more in the Republic of Moldova at the beginning of 2007 constituted 491 thousand persons. 61% of them are women and 2/3 lived in rural localities. The share of the people of the third age did not suffer essential changes due to the high morbidity between persons of 40-60 years, coefficient of ageing being of 13,7.

The data from the Ministry of Social Protection, Family and Children present a number of 621,4 thousand of pensioners on 01.01.2007, their number is increasing comparatively to the last year with 3,1 thousand. Even if the pension had increased, the pensioners had become poorer. If we compare the average pension to the average salary in the economy, we have the following result: in 2001, the pension represented 38% of the average salary; presently it is approaching 30% and will continue to decrease in the next years<sup>1</sup>.

The social protection of persons of the third age also includes and money allocation and social services granted to the poorest. The social services addressed to the persons of the third age include social home assistance (24508 of old persons benefited in 2006), social dining-halls (4068 persons in 2006, from the majority constitutes the old persons)<sup>2</sup> etc., but these are accorded to the most indigent. More frequently there are opened care centres for the old people or daily centres where the old persons benefit from food services, medical and psychological assistance, laundry services etc., but the places in these institutions are limited.

Many old persons are cheated by fraudsters and are left without property. Some public functionaries had profited by the old age and the difficult condition of the old person, throwing them into the streets.

### Target group

- Old people;
- Ministry of Social Protection, Family and Children;
- Social Assistance Direction;
- Placement Centres for old persons;
- NGOs that offer social services to the old people.

### Impact

Old persons are placed at the limit of existence, which determine 86 thousand of pensioners to continue to work to assure themselves a minimum of living.

Medical institutions (hospitals) cannot accept all the old persons affected by serious diseases, because besides the psycho-physiological modifications owed to age, there is also the ingravescence of chronic diseases. Due to the described reasons among the population of the third age the morbidity is the highest.

The malnutrition of the old persons exists, as well as the loneliness that dominates this period of life causing depression and stress, decreasing their desire to live.

### Dynamics

<sup>1</sup> [www.statistica.md/statistics/dat/1049/ro/virstnicii\\_RM\\_2007](http://www.statistica.md/statistics/dat/1049/ro/virstnicii_RM_2007).

<sup>2</sup> The Annual Social Report 2006. – Chişinău, 2007, p.57-58.

In the R. Moldova there is no continuance of reforms. The Strategy of reforming of insuring system of pensions was elaborated already in 1998. The reform had to guarantee the pensions funds, their annual index as compared to the index of consumption, creation of additional private system of pensions, etc. But until present, there were realised only some of the mentioned actions in the framework of this strategy.

The system of social services intended for people of the third age is increasing, but it is still insufficiently developed. In order to support the old persons, there were set up and function until the present relatively a few community services, various in type and quantity. These services are promoted by the governmental and non-governmental organisations, religious cults. If in the towns there is a series of services, owing to NGOs development and because of easier access to financing sources, then in rural localities these are almost absent.

Children don't frequently help their parents because they are poor, left the country to work, or they don't care about them.

### **Factors**

- low level of pensions;
- Incapacity to work of most of the old people;
- Absence of support of old people by their own children;
- reduced number of social services addressed to the people of the third age.

### **Anticipations**

The increase of the number of people of the third age will determine the necessity of modification of insurance system of pensions by increasing the age of retiring.

The development and diversity of social services addressed to the old persons by non-governmental sector in all the Republic – social-medical services at home (home care), rehabilitation and recuperation services, alimentary services (social canteen), etc.

### **Questions**

- Who will provide the state with financial resources to pay the pensions if the number of persons able to work is decreasing?
- Will the increasing of the retirement age solve the problem of absence of financial sources for the pensions?

## S.17 The problem of juvenile delinquency

### Subject

The absence of control from the family, poverty, unemployment determine the appearance of some vicious behaviours between minors such as school abandonment, alcoholism, drug addiction, vagrancy and the increasing number of serious offences among them.

### Description

Juvenile delinquency, as a complex, is nothing else than the consequence of absence of moral support offered by adults, of absence of protection and care in family, of the failure of the school moral education. A minor delinquent is, actually, a victim and not a guilty man aware of the responsibilities which are imposed. The juvenile delinquency appears as an effect of absence of parental responsibility and others actors responsible for forming of young people behaviour, of degradation of moral values among the young people, of decreasing of self respect and trust towards the society members and social control institutions.

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The absence of legislative and institutional framework adequate to realities leads to the violation of adolescents' rights, during the criminal investigation as well as the period of their detention. Also, it is known that other countries appeals to non-detention sanctions for minors in cases which are less grave. In the R. Moldova the use of non-detention sanctions is still at the beginning.

Throughout 2006, there were committed by minors or with their participation of them 1 785 of offences. In general, every 10<sup>th</sup> crime registered was committed by minors. The prosecution had finished the criminal investigation in 2115 criminal cases about minors, 1628 of causes were sent to court for examination.

The analysis of offences committed by the minors or with their participation attests that the most frequent infringements are larcenies, cause of corporal injuries, street hooliganism, consumption of alcohol and crimes connected with drugs. Among the grave crimes are murders, attacks, robberies and rapes. In the R. Moldova the contingent of delinquents had become younger. There are frequent cases when children under 15 years commit grave offences.

The Lipcan penitentiary allows finding out the reasons of this phenomenon. Most minors from this correction institution have just one parent or don't have parents at all.

About half of the convicted minors, in short time return to the detention places.

### Target group

- Orphan children and semi-orphans;
- Street children;
- Children that have one or two parents who left abroad to work;
- Indigent families.

### Impact

- Decreasing of respect and trust in social control institutions;
- Increasing of the degree of insecurity in the society;
- Degradation of moral values among the young people;
- Negligence and indifference towards the children's education.

## Dynamics

The comparative study of offences shows that in the Republic of Moldova the criminal level between minors is still high. The criminology statistic indicates that in 2000 there were committed 2 928 of offences by children, in 2001– 2 684, 2002 – 2 976, 2003 – 2 711, 2004 – 2 770, 2005 – 2 181, 2006 – 1 785. The exposed dates denote a significant decrease of the number of crimes committed by minors in 2006 as compared to the previous year with 18,2%.

On the background of decreasing of the number of crimes committed by minors on the national plan, in 2006 there was registered increase of juvenile delinquency in the following districts Hincesti – with over 40%, Singerei – with over 34,3%, Taraclia – with over 32%, Ungheni – with over 26,6%, Briceni – 21,4%. Totally, there was an increase of the number of crimes committed by minors or with their participation in 11 districts <sup>1</sup>.

The criminal legislation regarding the underage in conflict with the law improved and approached the international standards. For example: the maximum term of detention reduced from 15 to 12,5 years, and their detention from 72 to 24 hours, the activity of criminal prosecution of the children had passed from the competence of police to the Prosecution, the alternatives to detention are applied more frequently.

## Factors

- Absence of institutions that could come up with proposals for activities to spend free time;
- Promoting in mass-media of some false models of subculture;
- Consumption of alcoholic drinks and drugs;
- Parents migration abroad and absence of supervision;
- School abandonment.

## Anticipations

The Action Plan referring to the prophylaxis and control of the juvenile delinquency for 2007-2009 will be put in application by the Ministry of Education and Youth and the Ministry of Internal Affairs by advancing a mechanism of forbidding programmes, during the accessible hours to children, which promote violence and force cult. This fact could constitute a premise for the improvement of the situation. However, we do not hope for a sudden improvement of the situation.

## Questions

- Will the promotion of alternatives to detention for the minors (community service, probation) determine the decrease of the number of the offences among the underage?
- What are the interventions of the state in eliminating the juvenile delinquency and how useful are they?
- How efficient is the collaboration between the civil society and the state institutions for the combating of juvenile delinquency?

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<sup>1</sup> The Data of the National Bureau of Statistics.



## S 18. Poverty and its social aspects

### Subject

The Republic of Moldova continues to be the poorest country in Europe. The chronic character of the poverty determines the tendencies of self-perpetuation.

### Description

In Moldova the poverty began to increase in 1990-1991, exactly before the official launching of transition. Its extension in the next 17 years is indisputable.

Poverty was recognized by politicians only in 1997 year when the first research of budgets of households was presented, and subsequently appeared the The Strategy for Economic Growth and Poverty Reduction.

The most important specific feature of poverty in Moldova is its concentration in rural space and in small towns.

Poverty in small towns is connected to the industrialization model adopted in the Soviet period, when every town had some medium size factories the fact that created a non- diversified structure. After the liberalization, these factories demonstrated a limited capacity of competition on the market. If the inhabitants from villages could supply their food from agriculture, those from small towns didn't have this possibility.

Even if the poverty was most acute in small towns, most of poor live in villages. The reasons of poverty in rural medium result from the extremely limited opportunities of employment outside the agricultural sector. Most of the inhabitants from the villages cultivated the land the offered as a result of the land reform or had employed to bigger agricultural farms.

### Target group

- Social-vulnerable groups;
- Employees from agriculture;
- People without education or with secondary incomplete education;
- Families with many children;
- Single parental families.

### Impact

The first result of poverty is in increasing the number of migrants. As well as the deficient food consumption will reflect negatively on the population health, decreasing the quality of life.

The despair determines some poor people to donate blood to increase their incomes. The blood donation in RM is done freely and voluntarily. In exchange for blood, the donor receives a certificate, which, later sells for a sum of about 300 lei to those who have relatives with serious diseases. With the obtained money, a lot of donors buy the necessary food for the daily meal<sup>1</sup>.

For the children from villages, the poverty limits the opportunity of obtaining studies, or determines the perpetuation of situation of pauperism.

Not the least, those that do not find solutions from the legal point of view to assure the alimentary consumption and necessities of clothes, footwear etc. appeal to larceny, contributing to the increase of general rate of infraction.

### Dynamics

The evolution of the incidence of poverty proves that in 1999, 73% from population's country was poor. Beginning with 2000, the poverty rate had reduced constantly until 2005. In 2005, the rate of poverty in R. Moldova had increased comparative to 2004 with 3%. Every third citizen had been in

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<sup>1</sup> Timpul, 3 April, 2007, In order to have something to eat for holidays, the poor "sell" their blood.

absolute poverty (29%), and every sixth in extreme poverty (16%)<sup>1</sup>. The poverty in villages was approximately 6 times higher than in towns. Poverty accentuation in the rural medium had determined the increase of poverty at the national level.

**Poverty indicators in 1997 – 2005**

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Poverty rate, %	47,4	52,0	73,0	67,8	54,6	40,4	29,0	26,5	29
Extreme poverty rate, %	37,5	37,4	59,7	52,2	38,0	26,2	15,0	14,7	16,1

In many countries, the poor people sometimes come from incomplete families, from families with a high number of unemployed persons, from families lead by pensioners or families that have members with disabilities. These characteristics are only partially true for Moldova.

The data indicates that in Moldova, the absolute poverty rate and that of extreme poverty increase constantly once with increasing the number of children in the family. Thus, 40% from households with 3 and more children are poor.

According to age criteria, it is observed that people over 75 years and children have a higher risk to be poor. Children represent 34,5% from the poor population and as compared to 2004, this index had increased with 4,7%<sup>2</sup>. 80% from poor children live in villages.

The education is another fact that influences the level of poverty. The persons with a higher level of education earn more, which makes the risk of poverty for them to be smaller, as compared to those whose level of education is lower. Most of the poor people are from the households lead by persons with secondary incomplete or primary level of education.

An analysis of data regarding the incidence according to the economic sector confirms that poverty is mostly registered in agriculture. The people from the households where the head of family is employed in agricultural activities are exposed to the highest risk of poverty.

## **Factors**

- Inefficiency of the adopted economic and social policies, as well as of the applied instruments for their implementation;
- The summer drought of 2007;
- Small pensions and very small allocations;
- Low salaries and considerable differences of salaries in different sectors of the national economy.

## **Anticipations**

The National Plan for Development for 2008-2011 will assure the continuity of reforms began by the Strategy of Economic growth and Poverty Reduction and the EURMAP. Among its priorities are: economic and social development of the republic; increasing of national economy competitiveness; development of human resources, increasing of the employment degree and promoting the social inclusion, regional development.

The summer drought of 2007 will increase the rate of poor population in 2008.

## **Questions**

- How can be reduced the poverty among the children from the villages? By what actions or policies?

<sup>1</sup> Annual report of the evaluation of the implementation of the Strategy of Economic Growth and Poverty Reduction, 2006. – Chişinău, 2007, p.74

<sup>2</sup> Ibidem, p.77

## **S 19. Integration of people with disabilities into the society**

### **Subject**

The problems of the people with disabilities began to be discussed more and more lately in our country. Nevertheless, they continue to persist, imposing the adoption of some new attitudes from the state as well as the civil society to be removed. The people with disabilities fight to integrate in society, but face multiple difficulties, inclusive the rejection of society members.

### **Description**

In The Republic of Moldova there are 163.544 persons with disabilities, from which 24.735 - of I degree of disability, 113.766 - with II of disability, 25.043 - with the III degree. From them, 12.808 are children with disabilities that are under 16 years.

Discrimination and prejudices are the two negative effects of an important part of the population of the R. Moldova that do not accept persons with disabilities as citizens with equal rights and do not want their integration in society.

But besides the discriminatory problems, the people with disabilities and their family members are confronting with problems of material type, because their incomes are not sufficient either for food or medicines. Presently, the state allocation for the invalids of childhood of I degree and that of escort and care at home of an invalid child with I degree is only 200 lei per month, for invalids of childhood of II degree – 170 lei, and for those of the III degree – 112 lei. The invalids also benefit from nominative compensations, allowance for the payment of communal services, electricity, wood and coal purchasing, and an annual compensation for the fuel expenditures, renovations, technical maintenance of cars and motorized wheelchairs, but these aids are also modest. Concurrently, the invalids of the I and the II degree, the invalid children up to 16 years and persons that accompany an invalid of I degree or an invalid child receive compensations for the urban transport travel, suburban and interurban, paid from local budgets, but the veterans and invalids of war benefit, once a year, from travel tickets in the railway or auto transport in CIS countries. Anyway, these allocations and compensations are very small.

### **Target group**

- People with disabilities;
- Families of the people with disabilities;
- NGOs that provide services for people with disabilities;
- Ministry of Social Protection, Family and Children.

### **Impact**

The Republic of Moldova adopted the UN Convention regarding the rights of the people with disabilities, but actually the rights of this category of people are not respected. The people with disabilities are excluded from society and represent a non-used human capital. The families that have in care people with disabilities are confronting with financial problems and frequently there appear quarrels, and as a result, divorce. The integration in regular schools of children with disabilities continues to be rejected by a significant part of society.

### **Dynamics**

The number of people with disabilities is continuously increasing, from 140,9 thousand in 2001 to 163,5 thousand in 2006. This situation determined the Ministry of Social Protection, Family and Children and the civil society to create specialized services for this category of people. The specifics of the services proposed to persons with disabilities arise from the diversity of the type of disability, the age peculiarity, social problems and their needs etc. The centres that provide services for people with disabilities stress the physical and physical rehabilitation, the creation of the necessary conditions for social, educational and

professional integration.

In the last years there were opened alternatives for residential institutions for children and people with disabilities: there were opened daily centres, temporary placement centres, rehabilitation centres. In R. Moldova presently function 18 daily centres for children and youth with deficiencies that serve about 700 of beneficiaries and 8 daily centres for adult persons for 2038 beneficiaries. Among the most known are Daily Centre for Children „Speranta” in Chisinau, Youth Community Centre in Chisinau, Centre for children „Voinicel” in Chisinau, daily Centre for old persons „Răsărit” in Straseni etc.

A tangible step in the sphere of recognition of the people with disabilities in the R. Moldova was the ratification of the UN Convention regarding the right of the people with disabilities on 30.03.2007. According to the provisions of this Convention, the people with disabilities benefit from the same fundamental rights and liberties as the other members of society - the right to equality and non-discrimination, the right to access to physical space, to transport, to information and communications, the right of equality in front of the law and justice, right to education, to health care, work, social protection, participation in political, social, cultural life etc.

### **Factors**

- Population's mentality;
- The negative influence of environment on the population's health;
- Absence of financial support from the state;
- Deficiencies in the function of the medical institutions.

### **Anticipations**

The system of social services intended for the people with disabilities is developing due to the efforts of the civil society. The number of persons that benefit from care and rehabilitation services will increase slowly, also the number of children with disabilities integrated in regular schools. Under the influence of some strong informational campaigns and of integration process of some children with the regular schools will change in the next 10-15 years the population's attitude of Moldovan community towards these persons and there will be mostly technical and not human barriers.

### **Questions**

- When will the rights of the people with disabilities ratified by the R. Moldova by signing the UN Convention be respected not only de jure, but also de facto?

## S 20. The Moldovan village: intense efforts, scarce results

### Subject

After obtaining the independence, in the rural localities of the Republic of Moldova the working places had been reduced, the fact that caused the decrease of sources of income of the population. The efforts of improving the situation undertaken by the Government (programs for the young specialists from the educational sphere, doctors etc., the National Program “Moldavian Village”) still have not given any results.

### Description

The economic and social situation of the Moldovan villages is extremely difficult. The rate of poverty is bigger in the rural medium 6 times as compared to the urban medium. Out of 10 children from rural medium – 8 are poor<sup>1</sup>.

Migration to towns or abroad the country is seen as a possibility of overcoming the poverty situation of the population from the villages. The APC and APL efforts of maintaining teachers, doctors had failed, in this way in many villages prevails the absence of specialists. According to some estimation of Ministry of Education and Youth, in rural medium there are absent over 2250 of teaching personnel. 270 of villages do not have educational institutions, either transport to bring the children to the schools of the neighbouring villages. The technical-material equipment of the educational institutions from the villages is poor.

The infrastructure is weak feebly developed in the villages – the roads are in a deplorable condition. The water pipes are missing in most of villages. Population uses the water from surface wells that does not correspond to the standards and it is not good for food consumption.

A significant part of the culture houses and libraries from villages do not function, and necessitate capital renovation. Most of the libraries in the villages have not replenished their book collections for years because of money deficiency.

The cultural events of the last years mostly aim at the urban public and avoid the villages, where even and the traditional popular creation, crafts have come to despair. The village that in the past was the promoter of the national culture by its customs and traditions actually forgot about them. The festivals and concerts take place quite rarely in the localities of the Republic.

In these conditions, for the long lasting development of the rural localities the National Program “Moldovan Village” for 2005-2015 had been proposed. The estimated cost of the implementation of this national program for 2005-2006 was of 7 billion lei.

### Target group

- Youth;
- Population from rural medium;
- Local Public Authorities;
- Central public Authorities.

### Impact

Youth's migration to towns determines the ageing of the population from the rural medium and the depopulation of Moldovan villages.

The absence of specialists in educational and medical domain determines a lower level of accessibility to the services of education, health and finally a lower level of quality of life in the villages, than in the towns.

The contingent of teachers in rural schools continues to decrease; also, we witness the ageing of the

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<sup>1</sup> The Annual Report of Evaluation and Implementation of the Strategy of Economic Growth and Poverty Reduction 2006. – Chişinău, 2007, p.75, 77.

working force.

## **Dynamics**

The social-economic situation of the Moldovan villages continues to be severe. The population balance under the absolute level of poverty was continuously decreasing in 2001-2003 years from 58,2% to 45,1% and 31,1% in 2003. Starting with 2004, we witness an increase of this until 36% in 2005<sup>1</sup>.

The problem of life in the village is one of the objectives of policy of economic growth and poverty reduction and policy of social protection of the population, but the results of policy are extremely modest.

Rural localities do not have financial resources to settle the situation alone: to develop infrastructure, to repair the cultural houses and other social institutions of major interest.

Even if there are facilities for the young specialists that work in the villages, the number of those who return to the village is extremely small. The allowance and other facilities proposed for them by the government are not stimulating, mostly due to the fact that the young people have limited opportunities in the village: the population from rural medium is very poor, the infrastructure is destroyed or is in a precarious condition, social services are not developed, absence of cultural activities etc.

The number of migrants who work abroad from villages is high, but unfortunately, the remittances that come back to the country are not used for the state development, but only for redecoration of the households (house construction, renovation, construction of fences etc.).

Businessmen and people of culture suggested to contribute themselves along with the governmental actions to contribute to a situation change from rural medium. Thus, throughout 2007 in the Republic there were opened 20 bookshops, 10 of them by the society of book distribution "PRO-NOI" and other 10 by SA "Carte - Chisinau". The main objective of these initiatives was the development of enjoyment of reading and remedial of the situation when pupils and teachers have to go to Chisinau to buy a book.

## **Factors**

- Migration abroad to work;
- Urban migration;
- Poverty;
- Absence of working places;
- Absence of financial resources of APL.

## **Anticipations**

In the next years, the number of investments in the development of rural localities will increase owing to the initiatives of Ministry of Economy and Commerce to support small and medium companies from villages (Points of Contact in Affairs).

The national program „Moldovan Village” will become functional and will determine the creation in rural medium of a competitive economy, based on the consolidation of property rights, developing of initiatives and entrepreneur, decreasing of poverty and developing of rural communities.

## **Questions**

- Will the development of the infrastructure in the rural medium make the village more attractive for the young specialists?
- How can be solved the problem of lack of teachers in the villages?
- For which concrete measures were used the 7 billion lei allocated in the Programme "Moldovan Village" in 2005-2006?

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<sup>1</sup> The Annual Report of Evaluation and Implementation of the Strategy of Economic Growth and Poverty Reduction 2006. – Chişinău, 2007, p.93.

## S 21. Population health at risk

### Subject

The medical insurances did not solve the acute problems that were existent in the medical system. The medical institutions continue to confront with the absence of specialists, equipment, medicines, but the general health state of the population continues to worsen.

### Description

The population health has to represent a major concern of the policy of each state, owing to the fact that the health constitutes the most precious value and indispensable composition of social development and prosperity. Even if in the Republic of Moldova there are in progress national health programs and there are observed some ameliorations as concerns the reduction of children mortality, reduction of maternal mortality, there is evidenced an extreme tendency regarding the increase of the number of sick persons of tuberculosis, the increase of the number of persons with handicap degree, the increase of the number of congenital pathologies etc.

The reduced level of financing of the medical sphere in the Republic of Moldova determines the absence of specialists and equipment in this domain. Annually, circa two thousand of medical assistants resign because of the miserable salary, absence of accommodation and extenuating work. Most districts are supplied with family doctors only in the proportion of 50 per cent, but in some localities the doctors from the primary sphere are entirely missing.

In these conditions, it is alarming the number of the ill persons of tuberculosis in the Republic of Moldova. The four institutions from the country, specialized in the treatment of this disease are overcrowded. Many ill persons are waiting to be hospitalized. The specialists in pulmonary domain draw attention to the high risk of infecting with tuberculosis by the population. The doctors are concerned by the cases of advanced maladies of this disease, especially at children. The absence of specialists and avoiding the medical control by the patients obstruct the diagnosis at the time of the malady and create some grave forms of tuberculosis that is treated for long time and can lead to handicap or even to the decease of the ill person. Most of the persons ill of tuberculosis come from socially vulnerable categories and from migrants.

Once with introducing the medical insurance, the citizens were promised better medical services, better hospital conditions and medicines free of charge. People complain, however, that now there are queues, inconvenient appointments, corrupt doctors and medical products that are more expensive and of suspicious quality.

The majority of the cost of the insurance policy is handled by the employees of the budgetary sphere – the “national trick”, as the salaries didn't increase, but the expenditures of every citizen for the medical serving increased.

### Target group

- the sick people;
- the population of the R. Moldova;
- Medical staff;
- Health Ministry.

### Impact

The reduced access of poor families to health services. 25% of them do not benefit from medical insurance, and 20% do not have access to family doctor<sup>1</sup>. In these conditions, the population's health continues to worsen, the reproductive potential is decreasing and the general mortality is increasing,

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<sup>1</sup> The Annual Report of Evaluation and Implementation of the Strategy of Economic Growth and Poverty Reduction 2006. – Chişinău, 2007, p.54.

inclusive mortality among the population able to work.

The increasing number of sick people of pulmonary diseases and the resistance increasing to the treatment is indicating that Moldova is in front of an epidemic.

The children whose parents left abroad address the health services only when the health condition is very grave. Some of the teenagers and young people are not informed about the problems that can threaten their health.

## **Dynamics**

The elaboration of the National Policy of Health had imposed as priority at the period of some intense efforts of recovery of the economic situation and social contributions. The Government as well as the civil society, make efforts to reduce the imposing number of factors of risk of health.

The data attests a slow increase of the spending in the health system of the Republic of Moldova (4,8% of the GDP in 2006, compared to 4,2% of the GDP in 2005 and 3,2% of the GDP in 2000). Still, we can state that it is an insufficiency of financing, the expenditures from this sphere being of 1,9 times smaller than in the European Union countries. For example, Germany is spending 9%, USA – 13%.

Also the number of persons that benefit of medical insurances is increasing from 2/3 in 2005 year to 3/4 in 2006.

It is important that in the Republic of Moldova there is progress registered beginning with 2000 as concerns the insurance of a healthy life style (indicators: infantile mortality, children's mortality aged between 0-5 years, maternal mortality). Throughout 2000-2006, the rate of infantile mortality to 1000 children born alive had decreased with 6,5‰, the children's mortality under 5 years old with 7,3‰, maternal mortality with 11.1 la 100000 of births etc<sup>1</sup>.

In the Republic of Moldova the National Programme of Control of Tuberculosis is realized. But as observed the number of persons sick of TBC is increasing, especially the growth of the number of sick people multi-resistant tuberculosis (in July 2007 there were registered 1290 of sick people of multi resistant tuberculosis).

Also, throughout 2000-2007, the incidence of cardio-vascular diseases had increased with circa 80% and with circa 20% the incidence by malign tumours. The number of children with renal pathologies had increased in the last years 2-3 times. According to the specialists, now a few years ago, this pathology was attested at older children, but now on the first place are the children under 3 years.

## **Factors**

- Deterioration of life standards of population;
- Increasing of incidence degree of risk factors;
- Financial limitation;
- Population migration;
- The quality of environment.

## **Anticipations**

The World Health Organisation will continue to finance the health system in the following spheres: for mother and children, in treatment of infectious diseases, of HIV-AIDS and tuberculosis, cancer and cardiovascular maladies etc. If the state does not increase the salaries of budgetary, the exodus of qualified working force from the medical sphere will continue. The institutions will continue to lose specialists.

## **Questions**

- Why doesn't a significant part of the population buy an insurance policy?
- What is being done to raise the awareness of the people sick of tuberculosis and to determine them to follow the treatment until the recovery?

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<sup>1</sup> The Annual Report of Evaluation and Implementation of the Strategy of Economic Growth and Poverty Reduction 2006. – Chişinău, 2007, p.97.



## S 22. Human being trafficking – a national tragedy

### Subject

Human being trafficking takes alarming proportions in the Republic of Moldova. The combating of this phenomenon needs collaboration of the Republic of Moldova with the European states.

### Description

Human being trafficking refers to sexual exploitation, forced work, beggary and organs traffic. Annually more than 600.000 persons become victims of the human traffic at European level. This phenomenon is multinational and involves complex networks of organised crime.

The Republic of Moldova figures between the countries where the human traffic is spread the most in the world. According to the International Organization for Migration data, annually, in Ukraine, there are sold in slavery 117 thousand people; in Moldova — 57 thousand; Romania — 28 thousand; Belarus — 14 thousand and 9,5 thousand of people in Bulgaria<sup>1</sup>.

In such a poor country as Moldova, where the average salary is less than 100 dollars per month, it is not a surprise that many young girls dream at a better life and wish to migrate abroad. The difficulties to migrate legally however, determine the presence of the phenomenon of human traffic.

Moldova represents a considerable source for traffic of women and girls for sexual exploitation with commercial purpose, men of working exploitation, children to be forced to beg. The corruption phenomenon connected with human traffic at all governmental levels had persisted freely during the last years. Even though, there were registered concrete signals regarding the complicity of officials in human traffic, including the officials of high rank, and of border guards and policemen, the government didn't make the necessary efforts for the investigation and conviction of the involved persons.

Moldovan women are trafficked in Turkey, Israel, United Arab Emirates, Ukraine, Russia, Cyprus, Greece, Albania, Romania, Hungary, Slovakia, the Czech Republic, Italy, France, Portugal, Austria.

Most of the victims of human traffic from the Republic of Moldova come from rural zones and have a low level of education. Usually, they frequent the school till the 9<sup>th</sup> form and only some of them have a profession. Approximately, two thirds of the victims are unemployed.

On 6 September the Governments of RM and USA signed an amendment; according to it our country received the assistance for the inauguration of anti-traffic projects. As a result of these projects the Centre for Combating the Human Being Traffic was created within the Ministry of Internal Affairs.

### Target group

- Women and young girls aged between 14-30;
- Children and young people from orphanage schools;
- Men up to 30 years;
- Poor families, families in which there is violence;
- Groups, organised networks of traffickers;
- MAI.

### Impact

The studies show that over 70% of the human traffic victims are not identified and do not take advantage of qualified assistance. The continuous presence of this phenomenon and the involvement of officials of high rank in human traffic, make the population lose its trust in the authority of the law enforcement units.

The most serious problems for the trafficked persons remain the health problems – sexual transmitted diseases, HIV/AIDS inclusive. Also, the young women lose their reproduction capacities and

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<sup>1</sup> *Winners of the slavery* // Ziarul de Gardă, 22 February 2007.

so eventually the possibility to give birth to children.

## **Dynamics**

In 2006, the authorities investigated 446 of traffic cases: 243 cases of human being traffic, 61 cases of children traffic, 123 cases of pimping, 39 cases of organization of illegal migration. Comparative with 2005 we observe that the number of identified offences is increasing (386 cases in 2005). Respectively, in 2006 there were sentenced 173 persons: 62 for human traffic, 7 for children traffic, 85 for pimping, 13 for beggary, 4 –for organization of illegal migration. In addition, in 2006, there were liquidated 39 channels of human traffic and 4 criminal groups<sup>1</sup>.

Throughout the year, the members of Centre of Combating Human Traffic of MAI in cooperation with The Centre of preventing Women traffic, different non-governmental organisations organized seminars at local level concerning the combating of human traffic.

In 2000-2006, in the framework of the Programme of International Organization for Migration in the R. Moldova there were assisted 2012 victims of human traffic, 156 children inclusive. In 2006, there were assisted 1104 persons, as compared with 464 persons in 2005. Concurrently, the percentage rate of the victims that returned from other countries had considerably increased. This refers especially to Turkey and Russia, from where in 2004-2006 62,5% of OIM beneficiaries came back<sup>2</sup>.

## **Factors**

- Political – the absence of some strategies concerning the population migration, absence of some concrete measures of controlling of human traffic, difficulties of legal migration etc.;
- Economic – poverty, absence of well-paid working places, absence of opportunities of employment for young persons, especially in the villages;
- Social – low level of education, absence of juridical culture, absence of informing, loss of the influence of the family in society, loss of the spiritual values;
- Well-organized networks of traffickers.

## **Anticipations**

The introduction in EU space of a multi-language telephone line, dedicated to human traffic victims will allow the victims to obtain certificated assistance in their maternal language. The social assistant will try to identify, together with victim, the place where she/he is and to inform the police, the final purpose being to rescue and send him to the nearest centre of human traffic victims, where he/she should be provided assistance.

## **Questions**

- Will the legal possibilities of going abroad determine the decrease of the trafficked persons from Moldova?
- What is the state doing to anticipate the phenomenon of sex tourism that threatens to become extremely large in case the traffick channels towards the international destinations are liquidated and controlled?

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<sup>1</sup> [www.mai.gov.md/trafic\\_ro/cpctp\\_inf\\_2007/](http://www.mai.gov.md/trafic_ro/cpctp_inf_2007/)

<sup>2</sup> The Social Annual Report 2006. – Chişinău, 2007, p.80-81.

## **S 23. The situation of the penitentiaries in the Republic of Moldova**

### **Subject**

The situation of the penitentiaries continues to be insufficient. The convicts do not have normal food, the necessary space, objects of personal hygiene and adequate medical assistance, satisfactory water supply, sufficient heating during winter time. All these things are negative reflected on the physical and mental health of the convicts, but eventually on their integration process in the society.

### **Description**

In the 17 penitentiaries from the R. Moldova there are over 9000 convicted persons. Moldova has approximately two times more convicts for a thousand of inhabitants than Romania, Russia, and Ukraine.

The penitentiary system from the R. Moldova inherited old institutions, degraded, with Soviet standards. The respective penitentiaries do not correspond to the requirements of the European Union, but the state doesn't have the financial possibilities to change the situation. In the last years, because of the investments made by Swiss Agency of Reconstruction and Development and Caritas Switzerland there were repaired the Rusca and Taraclia penitentiaries.

Because of the precarious conditions, the respiratory diseases dominate in penitentiaries (acute bronchitis, tuberculosis), cardiovascular diseases, digestive diseases, etc. The international organisations in order to improve the situation support many programs in penitentiaries that have the purpose to combat tuberculosis, the spread of HIV/AIDS, drug addiction.

The realised report by Amnesty International in 2007 claims that the torture and the inhuman treatment are specific for the penitentiary system of Moldova. It denotes that the personnel of the penitentiary should be trained to overcome the old type mentality in order not to apply torture for the persons that declare hunger-strike.

From 2005, UNFPA has applied a series of measures in the Moldovan penitentiary system, destined to re-socializing of convicts financing a series of programs instruction programs: socio-juridical, pro-sport, pro-social, psychosocial rehabilitation of persons that consume drugs, reducing violence and delinquency among minors. The fond contributed substantially to the increase of the information regarding the reproduction health, the ways of transmission of sexually transmitted diseases, as well as HIV-AIDS, as well as subscribing the penitentiary libraries to periodic editions, at the same time donating sport equipment

In the penitentiaries the social assistants work who prepare the convicts for the period of release from detention. After the expiry of the penalty, the state provides them with 1200 lei, the money is intended to solve problems that appear in the period after the discharge.

Even if in the penitentiaries the convicts benefit from diverse programs of reintegration in the society, inclusive learning some skills, over 50% from released convicts commit offences and crimes repeatedly, one part because of the failure of the educational measures in the prisons, the other part because they are frequently rejected by the family members and the society, they can hardly find a job and prefer to return to the penitentiary where they have a roof and are fed in time

### **Target group**

- Convicts from RM's penitentiaries;
- Convicts families;
- Employees of penitentiary institutions;
- Representatives of civil society.

### **Impact**

The conditions of the penitentiaries from the R. Moldova cause an increase of morbidities and death rate among convicts, also their moral degradation. The prison should discipline persons that

committed offences, educate them in the spirit of responsibility towards the family, society, but meantime it does not manage to realize these functions.

The absence of some programs of preparing the family members of convicts, also and of the society determine their rejection and encourage the increasing of the second offence. A small part of convicts have chances to integrate in the society after the accumulated experience in penitentiaries.

## **Dynamics**

Officially it is announced that the situation in penitentiaries had improved, but the produced changes are very small. For example, the daily allocation for nutrition of the delinquents had increased from 5,03 to 6,20 lei, some spaces for detention were renovated.

The programs of social reintegration of delinquents are not effective as some institutions impede the coming back of the ex-convicts to the society. The economic agents and Employment Agencies are reluctant when they hear about employing persons with criminal record. That's why, a more active involvement is needed from the civil society in this process.

The execution Code of R. Moldova adopted at 24.12.2004 and the Governmental decision from 23.01.2006 have regulated the establishment and the activity of the Committee of the convicts complaints. The organization started its work on 24 February 2006, by examining the complaints against the illegal actions of the administration of the penitentiary institutions, of the violation of the detention regime, as well as of other actions that affect the compliance with the rights of the arrested persons. 40 per cent of the petitions of the detained refer to the detention conditions.

From 2006 until the present, there were ten decisions at ECHR, in which R. Moldova was condemned for the miserable conditions of detention. Only in 2006, there were filed 621 cases from Moldova to EHCR that deal with non-compliance with the art.3 of the European Convention of Protection of Fundamental Human Rights and Liberties (Interdiction of torture).

## **Factors**

- Absence of needed resources to cover the expenses that deal with penitentiary maintenance;
- Absence of complex services of re-education of the convicts in penitentiaries;
- Absence of training of the staff that works in the penitentiary institutions and who frequently violates the rights of the detained;
- Frequent rejection of convicts by the members of their family.

## **Anticipations**

Some non-governmental organizations will continue to provide juridical assistance to people from penitentiaries, thus they will ensure a higher degree of informing the convicts about the detention conditions, social protection etc. Due to the programs in the medical domain that are presently implemented in the penitentiaries, an improvement is expected in the health situation of convicts. The number of infected with tuberculosis will decrease, STD etc. and the general state of the sick people will improve.

## **Questions**

- What is done in order to decrease the causes of the second offence of convicts?
- How many cases of social successful reintegration occurred in 2007?

## S 24 The problem of abortion among the young people

### Subject

Abortions in the Republic of Moldova represent a frequent method of controlling the birth rate. Although its rate among the women population is decreasing, among the teenager girls and young girls up to 19 years the rate of abortions is increasing.

### Description

According to the Association of Family Planning of Moldova, 1/3 of the young women (14-17 years) that have sexual intercourse, do not use protection, 12,8% do not use condom during their first sexual intercourse. Also, only a few young girls use contraceptive tablets or other protection methods. The alarm was set in this sense by the religious organizations that promote sexual abstinence in order not to get into desperate situations to have to have an abortion. The young people lack a healthy sexual education, the young girls discuss less and less the problems related to the maternal health, pregnancy, and the health consequences of the abortion over the health. These subjects are excluded from educational institutions that could partially complete these gaps.

The precarious social-economic conditions, the disinterest of society for moral support of the young, as well as the existence of stereotypes about the extra-marriage pregnancy contributes to the perpetuation of this model to get rid of the undesired pregnancy that threatens the girls' life and their eventual health. In order to improve the situation in this domain, the Health Ministry together with UNFPA initiated in 1997 several reproductive health offices that offer services of family planning. With all these, the statistic data indicates that these actions are not sufficient to remediate the problem of abortion among the young people since the roots of this problem are in the lack of information and education of the young persons from the R. Moldova.

### Target group

- Young people;
- Parents;
- Medical staff;
- Teachers.

### Impact

The abortions bring out extremely negative effects for women health. Approximately 20% of total maternal demises are caused by abortions. This also determines the increase of women sterility. The appearance of physical traumas is another effect of this problem that accompanies the women for the rest of their lives. Abortions are not well perceived in the society. This thing eventually leads to blaming by the close people of those that resorted to this method.

### Dynamics

The statistic data shows that the number of abortions in the last 7 years had decreased from 80 abortions to 100 new-born-children in 1998 to 45 abortions at 100 new-born-children in 2005. The situation still remains alarming, because the R. Moldova is among the countries with the highest rate of abortions (six times more than in other European countries), and the number of abortions among the young girls up to 19 is increasing. According to statistics approximately 10% of women that have an abortion are not yet 19 years old.

### Factors

- Absence of sexual education;

- Difficult social-economic situation;
- Insecurity of the contraceptive methods;
- Absence of living space, unemployment, absence of parents.

### **Anticipations**

Because of the migration phenomenon, the sexual education problem will remain as the responsibility of schools and consulting offices of family planning that are located only in district centres. This fact is not encouraging at all, actually, it should be alarming.

### **Questions**

- Who should teach the population from the sexual point of view in the absence of parents?
- How can the church get involved in the promotion of health among the young people?

## **S 25. The queues and the humiliation to obtain a visa**

### **Subject**

Once with the Romanian adhesion to the European Union on 1 January 2007, thousands of Moldovan citizens wishing to travel over Prut had to queue up at the Romanian Consulate, hoping to obtain visa notwithstanding the climatic conditions. The same situation can be observed at other consulates, such as Bulgaria.

### **Description**

The voluntary leaving abroad in order to find a job, for entertainment or other reasons is a right of citizens approved on the basis of national and international legislation. In spite of this fact, this right has come to be impeded by the impossibility of consulates to process the documents for a large group of people due to bureaucratic considerations.

After the Romanian integration in the EU, on 1 January 2007, the customs offices of the north, east and south-west borders of Romania become the customs offices of the European Union border, and the Romanian consulate began to issue visas that were announced to be free of charge.

Until 2007, the Moldovan citizens could cross the Moldovan-Romanian border just with the Moldovan passport. In 2006, the Moldovan -Romanian frontier was crossed by over 3,16 mln persons and circa 830 thousand of vehicles.

Wishing to obtain the visa to travel to Romania, the Moldovan citizens had “assaulted” the Romania Consulate. Thus, there were created huge rows, thousands of citizens staying for a week in rain or cold with the thought to obtain the visa in the passport. The inefficient means of registration only increased the queues. However, there were not created any conditions for the citizens who were waiting near the consulate. Moreover, there appeared different fraudsters who requested money from the citizens that were waiting to be included in the lists of registration, after that disappearing with the money.

The situation close to the Romanian Consulate was ignored by the Moldovan state that did not have any reaction whatsoever to those disorders.

### **Target group**

- migrants working abroad;
- students;
- citizens of the R. Moldova;
- tourism agencies and other economic agencies;
- Embassy personnel.

### **Impact**

- Greater difficulties for the Moldovan citizens to migrate abroad for work;
- increasing of the dissatisfaction of the population, including the representatives of tourism agencies;
- financial losses registered by tourism agencies;
- visa inaccessibility for the European Union determines a lot of Moldovan to leave illegally to the EU countries.

### **Dynamics**

The queues from the Romanian Consulate maintained throughout the year. The attempts of the Romanian state to open two more Consulates at Cahul and Balti were not successful. After the abolishment of the system of on-line scheduling and the principle of the first comer was introduced the agglomeration had increased at the Romanian Consulate, but it decreased once with inauguration of a more spacious premises with more possibilities of processing of the documents of the Romanian Consulate.

## **Factors**

- The lack of interest and the reticence of the authorities of R. Moldova to satisfy the travel necessities of the Moldovan citizens to Romania;
- The Moldovan-Romanian political tensions;
- The absence of a reaction sustained by the civil society and the western partners;
- The miserable conditions of the waiting process to obtain visa.

## **Anticipations**

The Romania Consulate will have a larger capacity and will process more visa applications after the change the location. The on-line scheduling system will be reintroduced and will become a functional one, so that it can include all the visa applicants. Starting with 2008, the system of visa issuance for the citizens of the Republic of Moldova will be simplified.

## **Questions**

- Why don't the national authorities manifest interest to settle the visa problem with Romania, but focus on the advantageous conditions of obtaining visas for Schengen zone, an objective much more difficult to obtain?
- Why are the Moldovan authorities reticent to the travel needs of the Moldovan citizens?



## **S 26. The implementation of the Bologna process in the higher education system**

### **Subject**

In summer 2008, the Republic of Moldova will have the first promotion of the graduates of higher educational institutions according to Bologna Process. After 3 years from its adopting, we recognize that this process is going through quite problematically.

### **Description**

In order to approach the higher education of the Republic of Moldova to European requirements, after the signing of the acceptance declaration of the Bologna process in November 2004, there was elaborated the National Strategy for Higher Education Development in the framework of Bologna process, the Conception of university curriculum, the Conception of standards of professional forming etc. In conformity with these, there is expected the provision of continuous education where the stress is laid on the individuality of the students, on their responsibility, on promotion of free thinking and forming of a partnership between students and teachers. The transition from education centred on contents to a formative one with pragmatic character is aimed at.

All the higher educational institutions from the R. Moldova have reorganized the university curricula, proposed optional courses, changed to the system of transferable credits, but they still do not function completely.

At the moment, there are still many misunderstandings as concerns the credit system. Only a few distinguish the credit as a unit of measurement of what the student had done in a semester or in an academic year.

The practical implementation of the optional courses is also difficult. Deficiencies are caused, on one hand, by the functional mechanism of this system that offers mostly only in theory the student the chance to choose the optional course, and on the other hand, not all students are prepared to make this choice. If the student chooses the course that he would like to study, it does not mean that the option will be respected, because if there isn't formed a group of several students, the course will not be held. Another problem is that some of the teachers insist that students should choose a certain course.

### **Target group**

- University managers;
- Teaching personnel;
- Students;
- Ministry of Education and Youth.

### **Impact**

A part of students, as well as the teachers do not know and do not understand totally the aspects of Bologna Process. The clear picture is missing of the II circle – the master degree in conformity with the European standards. The higher education from the R. Moldova remains a theoretical one. The most of the students, in most part, are not used to studying by themselves. Still there is no active process of collaboration between the higher educational institutions and employers, etc.

In these conditions, we witness the discrediting of the new educational system that works quite efficiently in the West. At the same time, the misunderstanding of the essence of the new system imposes every institution and even every teacher the application of proper methods of instruction. This process of short-time reforming and modernization of the educational system will have as an effect the decreasing of quality of staff training in universities and the deplorable education of a new generation capable to face the challenges of a globalised world.

### **Dynamics**

For the R. Moldova the Bologna Process means promoting some radical reforms of higher

education: improvement of legislative and normative framework, the organization of the cycle university education, the implementation of the European transferable credits system, promoting of optional courses, elaboration of some normative documents regarding the academic mobility, diploma comparability etc.

Mostly people perceive the Bologna process as a modality of passing to a system with 3 cycles: bachelor, master degree, doctor degree and only a few understand that it is about education centred on the student who should develop his practical abilities. At the moment, the higher education from the R. Moldova is mostly theoretical and due to the lack of modern technical-material (it is out-of-date) and due to the lack of the experience of the students to study individually and lack of collaboration relation between the higher educational institutions and employers, etc.

Many of the provisions of the Bologna Process function at the moment only on paper. For example: the system of transferable credits is not understood by a big part of teaching staff and even less by the students and at the moment it is non-functional. Also, students cannot study the optional courses, in case when the number of students who selected a specific course is less than 10 persons. The enormous difficulties increase the process of academic mobility, as there are no financial resources to promote and stimulate the mobility of teachers, as well as of students.

## **Factors**

- Absence of adequate educational experiences;
- Change resistance of members of the educational process, thus the decisions of the Ministry of Education are not understood by teachers;
- Inadequate financing of higher educational system;
- The low salaries of teachers.

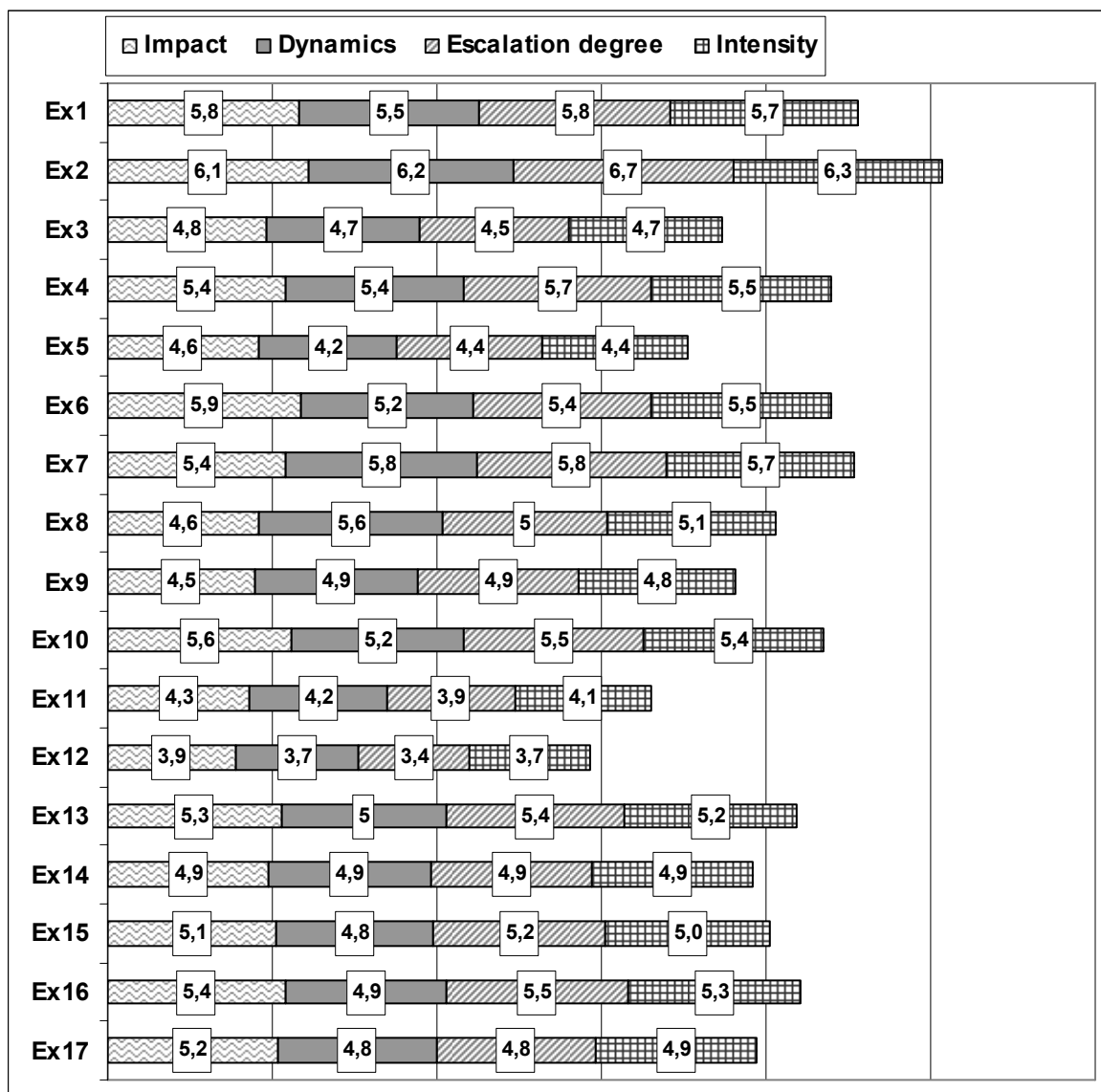
## **Anticipations**

In the next years, the plans will be reviewed for the I circle of training of future specialists, that will determine the elimination of some mistakes, deficiencies etc. In the academic year 2008/2009, the education for the master degree will begin for the first time according to the anticipations of Bologna Process.

## **Questions**

- What are the most efficient modalities of transforming the higher educational system from a theoretic one into a practical one?
- What is the national peculiarity of the higher education of the R. Moldova? How we can keep this national peculiarity?

## Indicators of the problems from the international relations domain



The data from the table represent the values presented by the ten independent experts for every indicator of the 100 problems

## Ex 1. The Republic of Moldova is not consistent in its relations with EU

### Subject

Even if the objective affirmed by the Republic of Moldova is its integration in EU, there is not observed a firm position in this regards.

### Description

The officials from Chişinău declared several times that the main objective of the Republic of Moldova is European integration. At this moment, the Republic of Moldova is included in the European Neighbourhood Policy. On one hand, the Republic of Moldova wants a clear perspective of European integration and perceives the Action Plan EU-Moldova, as a first step to the integration in EU. On the other hand, EU institutions and some influent states from EU, every time when there is an occasion emphasize that ENP represents only a series of politics that does not assure direct integration to EU. Here we can add the “extension fatigue” that is manifested in EU, after waves of extensions from 2004, 2007 and the “constitutional crisis” which is confronted by EU.

That is why, Chişinău insists on the fact that the Republic of Moldova should be accepted in the “pack of West Balkans countries” that were offered a clear perspective of EU integration. From another point of view, some experts doubt this tactics since the West Balkans represent an unstable zone, but at the European level, some opinions circulate claiming that Serbia and Bosnia will be included in ENP<sup>1</sup>. Under such conditions, the Republic of Moldova should take the leadership position in the group of ENP countries rather than being the last in West Balkans. Additionally, the fanciful scenario of integration in EU is also spread only by conversations with Brussels, without the involvement of state members, especially Romania.

To these scenarios is added one more that often appears in declarations and interviews of Moldovan officials, and which could be named as “Europe in our home”. In an interview for Europa Liberă, the President Vladimir Voronin, being aware of the arrears which Moldova has concerning the implementation of EURMAP, went along with a gradual integration in EU<sup>2</sup>. This attitude could be paraphrased by the phrase: “this is also ok for us”.

### Target group

- EU officials;
- The diplomatic corps of the Republic of Moldova.

### Impact

According to National Survey “The Republic of Moldova 2007: Situation of country and of people”, 41% from citizens of Republic of Moldova do not believe in the existence of a common idea of the country's development, but 34% are uncertain in this regards. In the conditions when, for several years, the government emphasizes that the common idea of the Republic of Moldova is integration in EU, these results can suggest that citizens do not trust in the slogans, and the quality of the governing power. On the other hand, there is a danger that the European idea can be discredited and emptied by these very circumstances.

### Dynamics

“The Concept of Foreign Policy of Republic of Moldova”, elaborated and published in the Official Monitor of the Republic of Moldova, nr.20 from 06.04.1995 stipulates that: “the major objective and perspective of foreign politics of Republic of Moldova is the gradual integration in the European Union.

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<sup>1</sup> the study was launched “The Trilateral Plan for European and Euroatlantic Integration ”, <http://www.europa.md/rom/serch/1/1747>

<sup>2</sup> “Moldova: President Sees Solution To Conflict With Separatists” (<http://www.rferl.org/featuresarticle/2007/11/cb0a0c22-0ad3-484c-8e89-f9ea871d14fd.html>)

The first step in this regards represented the signing “The Cooperation and Partnership Treaty”.

In these conditions, the Republic of Moldova’s objective of European integration is not a novelty. Why there was created the impression that the adhesion of Republic of Moldova to EU is a project that appeared several years ago? The problem is that Moldova was nearer to EU standards in 1995 than it is now, but the agitation that appeared in our society, in the past years, concerning the process of European integration, is due to EU extension up to the Moldovan border rather than to the ascension of Moldova in its European road.

### **Factors**

- Appearance of a false dilemma about European integration process of Republic of Moldova;
- Incertitude in connection to EU evolution;
- The populist declaration with an election temptation of the governing power;
- Discordance between Brussels and Chişinău agendas;
- Distance between the statements of Moldovan officials and their actions.

### **Anticipations**

All the states from West Balkans, although having a clear European perspective, are facing the proverbial instability of the “European powder keg”. Moreover, as it seems that the Yugoslav dismemberment is to be finished, and the Kosovo crisis is at the moment, “the Gordian Knot” of Europe. The destiny of West Balkans and Republic of Moldova depends on the manner how it will be untied.

### **Questions**

- Which is the best strategy for the European integration of the Republic of Moldova?
- What lobby possibilities has the Republic of Moldova in Brussels?

## Ex 2. The diplomatic tensions between Romania and Moldova

### Subject

Instead of being welcomed, in the light of a future European partnership, the EU joining by Romania generated numerous resentments from Chişinău authorities.

### Description

Although the impact of Romanian membership in EU was long time ago foreseen, even before 1 January 2007; the society as well as the authorities from Romania and Republic of Moldova began to realize it only in autumn 2006, once with those 400000 demands of restitution of Romanian citizenship applied to the Romanian Consulate in Chişinău.

Throughout 2007 year, the relations between Romania and the Republic of Moldova were marked by anti-Romanian declarations by the President Voronin, which reminded of the Soviet period when the same statements were spread by the nomenclature of the Moldovan Soviet Socialist Republic. These declarations were issued in that period, as well as after independence proclamation of the Republic of Moldova, due to Moscow pressures and also as in connection with local nomenclature intention to satisfy the metropolis.

In the second half of 2007, the diplomacy via mass media was involved not only as referring to Russian press interviews, where the Transnistrian problem was mentioned, but also in connection to Romania, this time the stress was on the publications from the Romanian press. Thus, in an interview for “Evenimentul Zilei”, Voronin accused Romania of the fact that it is threatening the statehood of Republic of Moldova<sup>1</sup>.

It is paradoxical that the evolutions from bilateral commerce have demonstrated an ascendant tendency, even if the most prognoses forecasted a decrease of commercial exchanges between the two states, once Romania joined the EU and the Treaty of Free Trade was ceased, there was registered an increase of tourism and shopping of Romanian citizens that cross the Prut river to buy some goods. The tensions between the two states had been accentuated by new accuses of president Voronin towards Romania and Brussels, claiming that they support the opposition press from Chişinău and that they interfere into internal affairs of the Republic of Moldova. Among the culminating points of tensed relations between these two states can be mentioned accusing the Romanian consul of taking bribe, hindering of some delegations of Romanian towns to visit Chişinău city during the city's Day and declaring persona non grata of two Romanian diplomats in the last month of 2007.

### Target group

- Ordinary citizens;
- Political class;
- The diplomatic corps.

### Impact

Besides the Romanian joining to EU and, particularly, introducing of visa regime, which affected the whole population of Republic of Moldova, there is a series of categories that are concerned directly. Among them are: students and pupils from the Republic of Moldova that are studying in educational institutions of Romania; Moldovan guest workers that have to travel to diplomatic representations located in Bucharest or have to transit the Romanian territory to get to Occident; business circles, especially the tourism domain of the Republic of Moldova.

This problem has also a negative impact on the relations of Moldova and European Union, distorting every positive image of our country. More than this, after the European parliamentary election in Romania, from those 25 delegation members of EU Parliament for Moldova, 4 are Romanian. In this regards, even if 44,2 % of the country's population consider that Romania is the state that can help Moldova in EU adhesion, the country's authorities see in the west neighbour an enemy, what harms the

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<sup>1</sup> "Romania, the last empire of Europe!" in “Evenimentul Zilei”, 12 November 2007, (<http://www.evz.ro/article.php?artid=330272>)

## **Dynamics**

Apparently, there are two major tendencies that involve, from one side, the political class and from the other side, the ordinary citizens of both states. At the level of political class, the speech of relation instrumentalization prevailed between the two states with the aim of accumulating political capital. As opposed to the political class, the ordinary citizens do not see any obstacle in developing interpersonal relations, with the exception of visa regime, that is perceived as a new “Iron Curtain”.

## **Factors**

- Passivity of the civil society;
- EU interests in protecting its borders;
- Promoting of some party interests to the detriment of national interests.

## **Anticipations**

In the following period, there will be a diminishing of the impact caused by the “Adhering shock” the public speech finding this issue eroded.

However, there is the possibility that this stillness could be only a period of convalescence that will evolve according to the implementation of the initiative of the President Traian Basescu to issue visas at the Moldovan-Romanian border, this model being implemented by Turkey. Grounded on the development of some cross border projects financed by EU, there will be extended possibilities of cooperation in business domains, as there is already a tendency of business “migration” to EU neighbouring countries.

## **Questions**

- When will the political class from Chişinău liberate itself of the existent prejudices in relation with Romania?
- How could Romania contribute to the “European project” of the Republic of Moldova?
- To what extent the Romanian intention of integration to Schengen zone is compatible with the initiative of the president Basescu to simplify the visa issuance procedure for Moldovan citizens?

## Ex 3. The Suspension by Russia of the Treaty on Conventional Armed Forces in Europe

### Subject

In the game of big powers on the international arena, Moldova risks to become a spare part in the geopolitical game between the Occident and Moscow.

### Description

In 2007, the divergences between Russia and Occident had intensified due to Russia's suspending the TCAF Treaty and the Occident unwillingness to sign this treaty, until Russia withdraws its military forces from the secessionist regions of Georgia and the Republic of Moldova. In addition, Russia accused the USA of not having any reasons to place elements of anti-missile defence in the Czech Republic and Poland. Even more than this, according to the Kremlin's opinion, by these actions the USA risks unleashing a new Cold War.

On 13 July, the President Vladimir Putin signed a decree that stipulated suspending of Russian participation in the framework of TCAF Treaty, beginning with 12 December, motivating this decision by the fact that the Bălŭi c States and Slovenia did not sign the Adopted TCAF Treaty. More than this, in the opinion of the Russian part, the intention of placing American bases in Romania and Bulgaria represented another example of infringement of this Treaty.

Due to these divergences, the Russian pressures on its neighbour states had increased: the unwillingness to allow the meat import from Poland, the attacks on Estonia related to the transfer of the memorial dedicated to Soviet soldiers, etc.

### Target group

- The Army of the Republic of Moldova;
- Diplomatic corps of Republic of Moldova;
- Peacemaking contingent from the security zone;
- Soldiers from the Russian Army.

### Impact

Under the conditions in which Russia renounces to respect the obligations assumed in 1999 at OSCE Summit in Istanbul, the perspectives of solving of Transnistrian conflict are minimum. In its turn, it represents a major threat for the security of the Republic of Moldova. Consequently, the Republic of Moldova, which is not quite attractive for the foreign investors, risks to be transformed in a black hole of Europe. In this case, the Russian military presence will reflect negatively for the population of the right as well as the left bank of the Nistru river. Moreover, besides the human factor of the Russian military presence, there is a high risk of an ecological catastrophe that can be triggered anytime at the munitions storage in Colbasna.

### Dynamics

The Treaty from 1990 – signed in the last months of the Cold War – limits the number of massive destruction weapons and dislocation of armed forces on the European continent and, in the 90ies, led to the elimination of some huge reserves of weapons.

The Treaty was brought up-to-date in 1999, even before Vladimir Putin took over the presidential function of Russia from Boris Eltin. However, the Washington and several European states members of NATO did not ratify the revised version up till present, demanding from Moscow first to withdraw the armed forces from the two separatist regions of Georgia and Moldova.

### Factors



- Russia plans to regain its status of global power;
- Occident tries to cooperate with Russia in solving the Kosovo problem and of nuclear non-proliferation in Iran.

## Anticipations

On one hand, the Adopted Treaty is only one of the elements presented in the geopolitical game of Russia. Actually, this could be only an episode in the election campaign for next year spring presidential elections. The global power potential of Russia consists in its natural recourses, and the use of “energetic arms” seems to be the „Trojan horse” of the Russian foreign politics.

On the other hand, the Russian suspension of this treaty could take Moldova even farther from a possible solving of the Transnistrian conflict. Moreover, the problem of the American anti-missile defence comes up again. According to Thom Shanker, “in return for an agreement related to the anti-missile defence, the Russia president could ask for some compensation such as the reestablishment of the Russian influence in the ex-USSR territory, the permission to Russia to annex the secessionist provinces from Georgia and Moldova or disregard the human right abuses that take place in Russia”<sup>1</sup>.

## Questions

- What tendencies will dominate the foreign policy of Russia after the presidential elections in 2008?
- What is the role of the treaties signed during the Cold War in the new global political conjuncture?

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<sup>1</sup> Thom Shanker “Bush’s white lie about Putin” in “The International Herald Tribune”, 6 July 2007.

## Ex 4. The embargo role in the relations between Moldova and Russia

### Subject

Starting with the end of 2006 and throughout 2007, the Republic of Moldova was involved in a really “commercial war” unleashed by the Russian Federation, with the intention to influence the decisions of the political class from Chişinău.

### Description

On 27 March 2006, the head of federal authority of protecting the consumer rights and the people welfare, Ghenadii Onishcenko, the general sanitary doctor of Russia, forbids the commercialization of wine and of wine-making products from Moldova and Georgia, until the removal of infringements. Onishcenko motivated his decision by the fact that there were traced substances injurious to health, in the respective products.

On the other hand, the president of Wine Exporters Union of the Republic of Moldova, Gheorghe Cozub, claims that it was not an issue of the presence of pesticides in Moldovan wines (what Onishcenko claimed), because Moldova had not imported them for five years, moreover, the wine makers do not use them because they are expensive.

After the meeting of President Voronin with President Putin on 10 June, it was announced that the resumption of wine exports to Russia would take place as soon as possible. After this meeting, “Rospotrebnadzor” checked several samples from the winemaking companies of Moldova, but authorized the export for only some companies that belonged to the Russian businessmen.

After a declaration war, President Voronin said that further inspections of enterprises from Republic of Moldova by “Rospotrebnadzor” would not be allowed because Moldova is not a colony. Also, Voronin declared that the only accepted variant will be the one where all winemaking industry units from Moldova will have the access to Russian market. Till the end, it was announced that on 1 November, only seven enterprises from Republic of Moldova had began their export to Russian Federation.

During his visit to Chişinău at the end of August, Gherman Gref, the Minister of Economy and Commerce of the Russian Federation promised that: “The Russians will celebrate the New Year with Champaign produced by “Cricova” and other Moldovan winemaking companies”. Taking into account that the same promises were made by President Putin in time of CIS summit in Minsk, in November 2006, we can draw the conclusion that the problem of returning to the Russian market of all wine producing companies from Republic of Moldova, will not be solved in near future.

Moreover, the Russian Federation is in the middle of the election process, and wines from Republic of Moldova are not on the priority list of Kremlin. Here we can add the observations of Igor Dodon, the Minister of Economy and Commerce of the Republic of Moldova, who after the meeting with Gherman Gref declared that the purpose of his visit to Chişinău was not in “discussing some concrete projects of purchasing or selling but it was just a visit where the Moldovan part briefed him about the fulfilment of the previously agreed tasks at the bilateral level in the economic domain; the implementation of reforms, especially the fiscal amnesty and the taxing zero quota; the creation of free enterprise zones and logistics centres.” More than that, these projects of collaboration have been discussed since 2003.

### Target group

- Wine-making Industry;
- Banking sector;
- Consumers from the Russian Federation.

### Impact

In the Republic of Moldova, the wine-making complex represents 18-20% of GDP, and there are 250000-300000 citizens working in this field. Besides the direct impact on this sector, the interdiction affected the whole economy of Republic of Moldova. In the first part of 2007, the wine production registered a decrease of 2.2 times, as compared to the same period of 2006 and constituted 552,4 mln lei, or about 45,5 mln USD, states the National Statistics Bureau (NBS).

## **Dynamics**

The Russian embargo does not extend only to wine-making goods from Republic of Moldova. In different periods of time under the incidence of this embargo had fallen vegetables and meat products from the Republic of Moldova. Depending on the level of Moldovan-Russian relations, the list of goods that are subject to embargo is extended or decreased. In this case, the political component of these actions is evident. Moreover, the restrictive measures were applied by the Russian Federation in its relations with other states as well. As an example, the already famous dispute between Poland and Russia, along the interdiction to export the meat products to the Russian market.

## **Factors**

- “Rospotrebnadzor” is only a tool by which the Kremlin attempts to increase its influence in the former Soviet space;
- Producers from Republic of Moldova are diversifying their export markets.

## **Anticipations**

Banning the access of Moldovan wines to the Russian market was a political act from Kremlin's part, with heavy economic consequences. We can expect the situation to worsen for the wine-making industry, but this thing will impose the local producers to diversify the market.

## **Questions**

- When will the plenary export of wines from the Republic of Moldova to Russian market be resumed?
- Why weren't the “Rospotrebnadzor” inspections refused from the beginning?

## Ex 5. The Republic of Moldova-CIS: duplicity model of Moldovan diplomacy

### Subject

The Republic of Moldova is still a member of CIS and sustains the reform of this organization even if the strategic objective of Moldova is the European integration.

### Description

“It is very clear for us that the guarantee of the nation’s prosperity in ex-Soviet area consist only in synchronizing of the general law standards and its maximum approaching to the values of those two integrations between East and West. We don’t have to fight for the freedom of people's circulation, goods and capital in the Occident and limit ourselves to the Orient. Any asymmetric way of development is diminishing the possibilities of our nations, puts in front of them an artificial option between good and good. Each unilateral way of development creates new demarcation lines and builds impassable barriers.” had declared the president of the Republic of Moldova, at the 28 session of the Interparliamentary meeting on the occasion of the CIS 15<sup>th</sup> anniversary<sup>1</sup>.

The speech of president Voronin at the CIS anniversary Interparliamentary session, in which he supported the CIS reforming and the revival of this organization along with its accusations that it brings to the “western challenges” that had jeopardized the solution of the Transnistrian conflict<sup>2</sup>, indicates the fact that along with the “enlargement fatigue” that is seen inside the EU, the evolution of the foreign policy of the Republic of Moldova shows disappointment towards the West and enthusiasm for the revival of CIS.

This tendency was also evident at the CIS informal summit that took place on 10 June at St. Petersburg.

### Target group

- Illegal migrants from CIS states;
- Citizens of Republic of Moldova;
- “Gazprom” and Russian companies.

### Impact

The Republic of Moldova's oscillation between the West and Russia has a direct impact on the citizens of Republic of Moldova. If until the unleash of the “commercial war” of Russia against products from the Republic of Moldova and until the price increase of energetic resources the economic component of CIS could be invoked, then after the imposed embargo to Moldovan wines and with the Russian intention to increase the price of energetic resources up to the average European price level, Moldova's intention to remain in CIS has less justifications. More than this, this attitude prejudices the consequence of foreign policy of the Republic of Moldova.

### Dynamics

In 1991, CIS presented a civilized modality of divorce of ex-Soviet states. Being conceived as an organization in which the member states can choose to collaborate in diverse domains: economic, military or humanitarian, throughout its existence, CIS had transformed in an organization through which Russia tries to maintain its supremacy in the former-Soviet space. On the other hand, the large number of signed but non fulfilled documents, and the regional division of CIS states, had determined a more accentuated alienation of this organization.

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<sup>1</sup> “Moldova Suverana” Nr. 80 from 01.06.07.

<sup>2</sup> In the interview to RIA-Novosti Agency, on 22 May, President Vladimir Voronin declared that “due to the settlement of the Transnistrian conflict, there is a paradox when we come to its solution, there appears a challenge either from the West or from inside” (the Russian version of interview can be accessed here: <http://www.rian.ru/interview/20070522/65884386.html>).

## **Factors**

- CIS has the tendency to offer more space to regional cooperation;
- The pressure and blackmail coming from the Russian federation;
- The unsettlement of Transnistrian conflict.

## **Anticipations**

The CIS card will be used in future by Russia to increase its influence in the post-Soviet space. Especially since the end of this year and the beginning of the next year will be marked by election campaign for parliamentary and presidential elections in Russia. In these conditions, the operation “CIS reanimation” is more of internal use. Under the conditions in which, in Republic of Moldova, 2008 will be a pre-election year, the Republic of Moldova's Parliament can be on arena of some debates about benefits and loses that Moldova is undertaking as a CIS member.

## **Questions**

- Is the Moldova's adhesion to EU possible, if it remains in CIS?
- How viable is the CIS reform according to the EU model?

## Ex 6. The implementation of Action Plan RM-EU: from declarations to results

### Subject

Even if there are arrears in EURMAP implementing, Republic of Moldova would like to sign a document that could offer a clear perspective to EU adhering.

### Description

Once with establishment of European integration objective as a strategic objective of the Republic of Moldova, the political class from Chişinău perceives the EURMAP, as a document that does not limit only to a mechanism of implementation of Partnership and Cooperation Agreement between Republic of Moldova and European Communities, but represent a first step in European adhering.

Instead, the EU does not hesitate on every occasion to specify that the Action Plans and PEV represent only instruments of cooperation between EU and neighbour states and by no means has it offered a clear perspective of European adhering. This is where the efforts come from of Chişinău officials to sign a new document that would stipulate the adhering to EU. As models there are proposed the Association Treaties signed with West Balkan states.

Since EURMAP adoption, the officials from Chişinău had voted for its implementation in a period of three years, in conditions which most of the states from PEV chose a period of five years. More than this, in a Government session, the Prime-minister Vasile Tarlev, announced the 17 November as the limit date for EURMAP implementing<sup>1</sup>, in spite of the signals from the European Commission that Republic of Moldova has arrears at legislation implementation and not at its adoption, and its implementation needs a longer period.

### Target group

- EU institutions;
- Diplomatic Corps of the Republic of Moldova.

### Impact

The absence of a clear perspective of European integration of Republic of Moldova determines a big part of population to be sceptical about their future, thus choosing to emigrate in order to find a working place and better future. In this context, those 76,2% from population (BOP, November 2007) that declared for Moldova's adherence to EU could remain disappointed.

From the other hand, the imitation of the reforms included in EURMAP, discredit the Republic of Moldova in front of EU.

### Dynamics

Since the signing of EURMAP, the Republic of Moldova hoped that after realization of its stipulations, it will get to a new qualitative level in its relations with EU. Though the European Commission Report from 2006 December, as other documents, signal major arrears in the domains of justice and human rights, and the statement of European officials is that "Moldova has a good legislation, but its implementation leaves much to be desired", the authorities from Chişinău are sure that they will recuperate on the last one hundred metres.

### Factors

- EU reticence about extension;
- Institutional and logistic incapacity of the Republic of Moldova;

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<sup>1</sup> <http://www.e-democracy.md/e-journal/20070915/index.shtml?print>

## **Anticipations**

Considering the constitutional crisis from EU, the extension process of EU will continue only when the internal problems of EU will be attenuated. Besides the fact that adhesion to EU supposes adoption and implementation of some standards, this process is hampered by the sceptical attitude of an important part of the population of EU member states. To this is added the incompetence of the Republic of Moldova in EURMAP implementation. In these conditions, the chances that Moldova will sign the Association Treaty, in the spring of next year are least probable.

## **Questions**

- What chances does Moldova have to sign an Association Treaty similar to those signed by West Balkan states?
- When will the adherence of West Balkan states to EU take place?

## Ex 7. Visa regime with Romania

### Subject

Even if it was announced only as a technical problem, the introduction of the visa regime at the Moldovan-Romanian border caused a multitude of problems for the citizens of Republic of Moldova.

### Description

Even if before 1 January 2007 there were discussed the preparations that were done in order to attenuate the negative consequences of introducing visa regime, the latter did not fail to appear. The excessive politicizing of this problem created an atmosphere of nervousness in the society. This atmosphere was emphasized by populist declarations of decisional factors of the two states, referring to the efficient solving of this problem, by opening two Romanian consulates at Cahul and Bălți. If in the Republic of Moldova, these declarations were issued by the Presidency, demonstrating an acute absence of consequence, that in the Romanian case, the “visa issue” got a share in the internal political competition between the Government and the President.

This political-diplomatic saga continued with the declaration of the Ministry of Internal Affairs from Chișinău that they possess evidence that would prove some irregularities at the consulate referring to the preferential issuance of visas in exchange for money. The Ministry of Internal Affairs was supported by the Ministry of Foreign Affairs and European Integration that involved into a “communiqué war” with the Ministry of Foreign Affairs from Bucharest<sup>1</sup>.

This declaration was accompanied by a series of affirmations from President Basescu and the Minister of Foreign Affairs of Romania, Adrian Cioroianu who refuted the accusations of Chișinău<sup>2</sup>. Moreover, the President Băsescu declared that he will discuss with Brussels the possibility of simplification of visa accordance procedure for the citizens from Republic of Moldova<sup>3</sup>.

### Target group

- Citizens of Republic of Moldova that cross the Moldovan-Romanian frontier;
- Authorities from Chișinău and Bucharest;
- Officials from EU.

### Impact

Besides the fact that introducing visa regime, affects the whole population of Republic of Moldova, there are categories that are directly involved. Among them are: students and pupils from the Republic of Moldova that study in educational institutions from Romania; Moldovan guest workers, that have to come to the diplomatic representatives residing at Bucharest or have to transit the Romanian territory to get to the West; business circles, especially the tourism domain.

### Dynamics

Generally speaking, the problem of visa of any type became one of fundamental problems of the Moldovan society, beginning with the end of the 90ies, when the massive emigration of Moldovan citizens began to find a working place. This problem became so important that it became a subject of jokes. We can even speak about a visa cult. Under the conditions in which visas became a profitable but risky investment, a category of persons appeared that begun to activate in this domain.

Thus, on the black market, the price of a Schengen visa varies between 3000-5000 Euro. Since the introduction of visa regime at the Moldovan-Romania border, the authorities begun to celebrate that the issued visas by the Romanian consulate in Chișinău are free of charge. However, once with the big

<sup>1</sup> “War of communiques” between Chisinau and Bucharest ([http://www.bbc.co.uk/romanian/news/story/2007/08/070820\\_moldova\\_romania\\_vize.shtml](http://www.bbc.co.uk/romanian/news/story/2007/08/070820_moldova_romania_vize.shtml))

<sup>2</sup> Basescu regarding the visa scandal: “Romania will strongly respond these provocations ” in **România Liberă**, 22 August 2007 (<http://www.romanialibera.ro/a104216/basescu-despre-scandalul-vizelor-romania-va-raspunde-extrem-de-dur-acestei-provocari.html>)

<sup>3</sup> Romanian visas at the border? (<http://www.md-ro.org/?ref=archive-social-2007-09-11-2>)



number of applicants from consulate, a category of persons appeared who for a certain amount of money would facilitate the visa issuance.

### **Factors**

- EU interests to secure its borders;
- The speculative intentions of the authorities of the Republic of Moldova;
- Indecisiveness of the decisional factors in Bucharest.

### **Anticipations**

The initiative of the President Basescu to simplify the visa regime after the Turkey model does not have a chance to be realized in conditions in which Romania wants to join the Schengen space. More than this, Turkey is not a member state of EU.

Before looking for new modalities of simplifying the visa regime, the decisional factors from Bucharest have to take into consideration the possibilities of manoeuvre which the actual legislation offers. In this regards, a positive factor is the discussion of the possibility of eliminating visas for the citizens of the Republic of Moldova that transit Romania on their way to the Schengen countries.

### **Questions**

- To what extent is the intention of Romania to join the Schengen zone compatible with the initiative of the president Basescu to simplify the visa issuance procedure for the Moldovan citizens?
- Are there any modalities to simplify as much as possible the visa regime for the citizens of the Republic of Moldova?

## Ex 8. Restitution of Romanian citizenship

### Subject

The large number of applications to recover the Romanian citizenship demonstrate us the lack of trust of the citizens into the viability of the Republic of Moldova as a state and their wish to leave in order to find better future.

### Description

The last months of 2006 year were marked by an avalanche of applications to regain Romanian citizenship by the citizens of the Republic of Moldova at Romanian consulate in Chişinău. The number of citizens that applied varies between 400 thousands and one million.

Due to the fact that this problem refers to a new member state of EU and the immediately neighbourhood with EU, it was heavily spread in the media not only in the national press but also in the international press. The latter pointed the European public opinion at the “record number of citizens of Republic of Moldova” that wants the Romanian citizenship. As a major cause of this phenomenon, the idea is spread that the Moldovan citizens want to travel without a visa in the EU space<sup>1</sup>.

On the other hand, the fear that, in next years, Moldova will remain without citizens is unjustified, because most of them perceive the Romanian citizenship, as an insurance policy, or a modality to travel easier.

In spite of the agitation that was caused concerning the Romanian citizenship, Romania as well as the western Europe, should not expect a wave of Moldovan migrants, because the Moldovans who want to work abroad had already left, their number being about 600000, and the sent remittances provide about 30% from the country's GDP. In consequence, Moldovans will go abroad with or without Romanian passports<sup>2</sup>.

These fears and speculations were stirred by the declarations of the authorities from the Republic of Moldova and Romania. On one hand, the President Traian Basescu and the Minister of Foreign Affairs of Romania Adrian Cioroianu have different visions about this subject, the first is pleading for maximum simplifying of procedure of restitution of Romanian citizenship, but the second is for a more serious attitude of Romania as a state member of EU<sup>3</sup>.

On the other hand, the President Vladimir Voronin<sup>4</sup> along with the prime-minister Vasile Tarlev<sup>5</sup> accused Romania of imperialism and of involvement into internal affairs of the Republic of Moldova, proposing a draft law that stipulates that the persons who would like to be public functionaries have to be in the possession of only citizenship that is of Republic of Moldova.

### Target group

- The Republic of Moldova's citizens that applied for the restitution of Romanian citizenship;
- Chişinău and Bucharest authorities;
- Citizens of the Republic of Moldova that possess the citizenship of the Republic of Moldova.

### Impact

A survey realized by Institute of Public Politics from Chişinău shows that in 7 per cent of the country's households there is at least one member who has Romanian citizenship, and in 19 per cent from households there are members that don't have Romanian citizenship but who applied to obtain it<sup>6</sup>. The same survey refers to the fact that most of those who deposited documents for Romanian citizenship would like to freely travel to EU states (46%), 29% of them would like to leave to find work.

<sup>1</sup> "European Voice": After 1 January 2007, Moldova feels more isolated (<http://www.europa.md/rom/serch/1/852>)

<sup>2</sup> "Heading for the exit" in "The Economist", 30 January 2007

<sup>3</sup> [http://www.gardianul.ro/2007/10/05/externec3/duelul\\_cioroianu\\_basescu\\_arunca\\_cetatenia\\_pentru\\_moldoveni\\_in\\_jocurile\\_electorale-s102294.html](http://www.gardianul.ro/2007/10/05/externec3/duelul_cioroianu_basescu_arunca_cetatenia_pentru_moldoveni_in_jocurile_electorale-s102294.html)

<sup>4</sup> "Voronin worried by Romanian citizenship law"

([http://www.bbc.co.uk/romanian/moldova/story/2007/11/071106\\_voronin\\_identitate.shtml](http://www.bbc.co.uk/romanian/moldova/story/2007/11/071106_voronin_identitate.shtml))

<sup>5</sup> "Tarlev: the functionaries have to have only Moldovan"

([http://www.bbc.co.uk/romanian/moldova/story/2007/10/071019\\_dubla\\_cetatenie\\_functionari.shtml](http://www.bbc.co.uk/romanian/moldova/story/2007/10/071019_dubla_cetatenie_functionari.shtml))

<sup>6</sup> "the public opinion barometer -May 2007", done de IPP

According to the data of the Romanian authorities, at the moment there are about one hundred thousand of citizens of the Republic of Moldova that obtained the Romanian citizenship. The number of Republic of Moldova's citizens that work abroad varies from 400.000 to one million. The absolute majority of them work illegally. The Romanian citizenship does not represent a solution for all problems that the citizens of Republic of Moldova confront in EU, but anyway it could facilitate "season migration" of Moldovan citizens in EU states, thus a part of deficit of labour forces with which are confronting EU states can be covered.

## **Dynamics**

The agitation caused by the hundreds of thousands of applications of restitution of the Romanian citizenship, sent by Moldovan citizens to Romanian consulate in Chişinău, appeared in 2006, with the rumours that Romania will stop the issuance of Romanian citizenships once with EU adhesion. They were also aroused by approaching of the date of 1 January 2007, when Romanian citizens with valid documents would become Europeans.

Actually, throughout the 90ies, the restitution of Romanian citizenship was an easier process. It could be recovered in the time of one year, at the county police offices in the border areas of Romania. In a way, those who wanted to recover Romanian citizenship had almost the same treatment as the Romanian citizens. The situation changed once with negotiations between Romania and EU, thus the recovering process of Romanian citizenship became more difficult as Romania was obtaining a clear European perspective.

## **Factors**

- The Romania adhesion to EU;
- Soviet clichés of Chişinău authorities.

## **Anticipations**

In the moment when Romania as well as the Republic of Moldova are closer to a new election cycle, and the Romanian citizenship problem involves the attention of public opinion, this problem will continue to be the target of some political declarations from both parts. The extent of the materialization of these declarations has yet to be seen.

## **Questions**

- How many citizens of the Republic of Moldova that will obtain Romanian citizenship will definitely emigrate from the Republic of Moldova?
- What chances will Moldova have as a state if most of its citizens obtain the Romanian citizenship?

## Ex 9. Kosovo precedent as a model of solving of “frozen conflicts”

### Subject

“Kosovo precedent” of solving of frozen conflicts from the former-Soviet space becomes present in the international agenda.

### Description

“Russia will never adopt the European perspective in the problem of conflicts from the ex-USSR space. EU emphasizes the territorial integrity, whereas Moscow insists on recognizing the rights of self-determination of the nations on whose behalf speak the separatist regimes. However, the approach is quite vice versa in Kosovo problem, where the EU is ready to recognise the independence of the province (quitting the guarantees of territorial integrity of Serbia, promised during NATO bombing in 1999), when Russia is the only hope of Belgrade’s government of maintaining (even formally) the historical province in its territory”, comments the press from Bucharest<sup>1</sup>.

In February, Martti Ahtisaari, special emissary of UNO presented a model of solving of the conflict in Kosovo region. This model, although it does not clearly state the independence of Kosovo province, stipulates that it will have its own anthem, flag and Constitution. Additionally, Kosovo will have the right to sign international treaties and to join international organisations. Kosovo's precedent was discussed and at G-8 summit in Germany, where Vladimir Putin affirmed: “No one can point out for us a significant difference between Kosovo and separatist conflicts from Georgia, Republic of Moldova or Azerbaijan. Thus, a taken decision in this regards, will be universal”.

The prestigious British publication “The Economist” writes that: “The Russian President, Vladimir Putin, seems to have convinced Mr Voronin, a naïve ex-baker, that time for business has come. Russia would like a rapid settlement as opposed to the argument at the UN regarding the future of Kosovo, the torn Serbian province<sup>2</sup>.”

### Target group

- Participants at negotiating format 5+2;
- Participants in negotiating regarding Kosovo region;
- Entities of non-recognized states.

### Impact

The Croatian President, Stjepan Mesic, when visiting the Republic of Moldova, declared that as opposed to Kosovo, that was a constituent element of the Yugoslavian Federation, Transnistria during the URSS period was a part of the ex-MSSR and did not benefit of autonomy. In conditions in which Yugoslavia does not exist any more, is it absolutely normal that Kosovo will get a new status and it would be good that this thing should happen after negotiations between the two parts.

From the other part, the Special Representative of EU in RM, Kalman Mizsei declared that a correct settlement of Transnistrian problem could contribute to increasing of trust on European continent, as well as what concerns the Treaty of Conventional Forces in Europe.

### Dynamics

The idea of solving the frozen conflicts from the former-Soviet space after Kosovo model was brought up by president Putin during a meeting with foreign journalists on 31 January 2005. Since then it can be said that the difficulties that confronted the mediators in Kosovo problem, also added the necessity to take into consideration the declarations of President Putin.

### Factors

<sup>1</sup> Liliana Istrate, “Moscow requested the EU not to interfere into the settlement of the frozen conflicts” in “Flux”, 09.02.2007

<sup>2</sup> “A thaw in the river” in “The Economist”, 19 April 2007

- Settlement of Kosovo problem can create a precedent in international relations;
- Russia wants to use Kosovo model in solving of frozen conflicts from post-Soviet space;
- USA and most EU state members are opting for the unique status of Kosovo case.

### **Anticipations**

In conditions in which the speculations regarding Kosovo model are intensifying, the fact cannot be excluded that it can become a changing coin between the West and Russia. It is certain that Kosovo is quickly moving towards its independence. The question is what price will be paid for its independence.

### **Questions**

- How could be the Kosovo precedent applied to the conflict between Chechen republic and Russian Federation?
- Is there a precedent that can be applied to the settlement of all territorial conflicts?

## Ex 10. Lack of transparency in the settlement of Transnistrian conflict

### Subject

The western partners of the Republic of Moldova are concerned with the attempts of the Moldovan authorities to find a solution for the Transnistrian conflict by bilateral discussions with Moscow, without consulting the opinion of the USA and EU, that are observers in the negotiations in the format 5+2.

### Description

The concerns of the western partners was materialized by a series of visits in the Republic of Moldova by David Kramer, the Deputy Assistant of the State Secretary, The Office of European and Euroasian Affairs of the USA State Department and of the Ambassador Kalman Mizsei, the Special Representative of the European Union for the Republic of Moldova<sup>1</sup>.

After the meetings with Moldovan officials, they were assured that Moldova did not receive a settlement plan from the Russian side. More that this, Moldova is opting to resume the negotiations in the format 5+2 and denies the existence of some secret Moldovan-Russian agreements. Immediately after these declarations, a visit takes place to Chişinău of the deputy Secretary of the Supreme Security Council of the Russian Federation, Yuri Zubakov. The meeting between President Voronin and Yuri Zubakov, took place behind closed doors, and the press was distributes only a press release, in which the discussed subjects were presented quite vaguely, the emphasis being put on subjects of economic character.

This soap opera continues with a series of contradictory declarations in which, on one hand, the President Voronin assures the Ambassadors of the Western states that Moldova does not negotiate a secret plan, but on the other hand, in the interview for RIA Novosti Agency, he is accusing the west of hampering the conflict solving<sup>2</sup>.

### Target group

- Diplomatic corps of Republic of Moldova;
- Population from left bank of Nistru river;
- Leaders from Tiraspol.

### Impact

According to the respective model, the Moldovan President Vladimir Voronin has to recognize the Transnistrian separatist government from Tiraspol, to hold again general elections, then to offer 20 per cent of the parliament seats to the Tiraspol clan, as well as the function of vice-minister in each ministry of Moldova, the function of first deputy of the prim-minister.

According to EU Observer sources, the project of the reunification plan, also stipulates the presence in Transnistria of 1300 Russian peacekeepers until the moment when Moldova and Russia will get to conclusion that situation is stabile enough to allow them to leave, in spite of the Russian promises in 1999 to leave sooner.

Fisrt of all, the respective model could affect irreversibly the option of European integration for most of the population of the Republic of Moldova. Second of all, the adoption of this plan can discredit Moldova in front of the western partners and intensify even more the isolation of the Republic of Moldova.

### Dynamics

<sup>1</sup> David Kramer: "I believe that the basic elements of a treaty imply transparency and legitimacy."  
(<http://www.europa.md/rom/info/1490>)

<sup>2</sup> In the given interview to the Agency RIA-Novosti, on 22 May, the president Vladimir Voronin declared that "regarding the settlement of the Transnistrian conflict, there is a paradox: when we come closer to the settlement of this conflict, there comes up a challenge, either from the west from the inside" (the Romanian version can be accessed at: <http://www.rian.ru/interview/20070522/65884386.html>).

The bilateral negotiations of this year do not represent any novelty. The Kozak plan that had to be signed in 2003 also was preceded by Moldovan-Russian negotiations. Thus, the plan of this year was nicknamed “Kozak Plan 2” for a reason. In 2003, as well as in 2007, only the western pressure determined avoiding the attraction of Republic of Moldova into a trap that risked irreversibly affecting the sovereignty and independence of this state.

## **Factors**

- Russia wants to maintain its presence in the former-Soviet states;
- Republic of Moldova is at the EU border and on the agendas of the EU and the USA;
- The present administration of the Republic of Moldova wants to solve the Transnistrian conflict without calculating the risks.

## **Anticipations**

Russia’s withdrawal from the adopted CFAE treaty combined with the parliamentary and presidential elections from Russia offers the minimum chances to Transnistrian conflict. Additionally, the Ukrainian position cannot be ignored, even if it is going through a long-term political crisis. On the other hand, besides the external juncture, the evolutions of the political internal scene are promising.

It seems that, unofficially, the election campaign for parliamentary elections from 2009 has already begun. In these conditions, the present governing could play the Transnistrian card and forcing a solution not quite convenient for the Republic of Moldova and for the pro-European option of the population of this state.

## **Questions**

- How many secret plans of settlement of Transnistrian conflict are there?
- What chances do USA and EU have to be accepted as full right participants in the negotiation format of Transnistrian problem?

## **Ex 11. Individual Partnership Action Plan IPAP- a document too ambitious for the Republic of Moldova**

### **Subject**

Even if there were ambitious objectives set up in the framework of the Individual Partnership Action Plan of Republic of Moldova - NATO (IPAP), after the first year of its implementation the results are modest.

### **Description**

Once with intensification of bilateral dialog with Russian Federation, it is not a surprise that in 2007 the relations between NATO and the Republic of Moldova have had a less dynamic development, than in 2006. In most part, the lower efficiency in 2007 is not only due to the amelioration of the dialogue with the Russian federation, but also to the fact that after IPAP launching in 2006, 2007 had to be the year of some concrete actions.

In this regards, it is not a secret that as concerns programmes and plans, the Republic of Moldova is a conscientious pupil; the same cannot be said about their implementation. Additionally, with all the speculations regarding the adoption of the Concept of National Security, they are only at the project stage so far.

From the IPAP adoption there were drafted two reports on the implementation of this document, but their content is accessible only to a restricted group of people. Even so, is it obvious that the Republic of Moldova has numerous arrears at the IPAP implementation, if we take into consideration that three quarters of this document are political clauses and the Republic of Moldova is still monitored by the Council of Europe.

Besides the political stipulations, IPAP also includes the restructuring of the army. In this framework, the demilitarization initiatives of the Republic of Moldova, launched by the president Voronin in the interview to Izvestia, in order to resume the negotiations in the Transnistrian conflict are not in accordance with the IPAP stipulations.

### **Target group**

- The force structures of the republic of Moldova;
- Diplomatic corps;
- Businessmen.

### **Impact**

The inadequate implementation of IPAP is hampering the modernization of the institutions that have to ensure the security of the Republic of Moldova. Besides their poor equipment provision, mostly the training of the human potential is missing. Due to these facts, the army has a bad image in the society.

Besides the impact on the specialized structures, IPAP is referring to creating a favourable business climate, assuring a democratic control of the security system. In these conditions, the selective application of IPAP stipulations is increasing the vulnerability of investors and businessmen from the Republic of Moldova. Moreover, the crisis of the image of the Republic of Moldova becomes more profound.

### **Dynamics**

The problem of the relations between the Republic of Moldova and NATO appeared at the beginning of the 90ies.

Up to 6 July 2006, these relations were developing only in the framework of the Peace Partnership. On 6 July 2006, the Government of the Republic of Moldova adopted the Individual Partnership Action Plan of Republic of Moldova - NATO (IPAP) that foresees some measures assumed by the Republic of Moldova to reform its financial administration in order to manage the security system.

The problem between the Republic of Moldova and NATO cannot be separated from the debates on the neutrality of the Republic of Moldova. These debates sometimes outrun the pathologic state, but



the usual multinational exercises in the “Partnership for Peace”, as the “Cooperative Longbow\Lancer-2006” or „Medceur-2007” are associated with new attempts to generate a Cold War.

## **Factors**

- The uncertain attitude of society towards the Euro-Atlantic integration of the Republic of Moldova;
- The neutrality of the Republic of Moldova;
- Russia's desire to keep its influence in former-Soviet space.

## **Anticipations**

In the context of dispute between Russia and the West with the reference to the adopted CFAE Treaty and the problem of placing some elements from the American anti-missile defence in the Czech Republic and Poland, Moldova and, especially the Transnistrian problem, had already taken a place on the agenda of discussions of NATO with Russia.

Depending on the presidential elections in Russia, the evolutions from the political scene of the Republic of Moldova, on the eve of parliamentary elections in 2009 and the attempts of world communities to solve the Kosovo problem, is it certain that Moldova will not disappear soon from the dialogue between Russia-NATO, and it is possible that the Transnistrian problem will take a more advanced position.

## **Questions**

- To what extent can NATO contribute to the settlement of Transnistrian problem?
- Is the IPAP implementation a first step to Moldova's adhesion to NATO?

## Ex 12. Moldova-GUAM: involvement without results

### Subject

The republic of Moldova is not consequent in its politic towards GUAM.

### Description

Although, in October 2006, in Chişinău, the GUAM Parliamentary Assembly requested the Council of the Foreign Affairs Ministers of the state members of GUAM to create a subdivision of peacekeeping forces in the framework of the organization, and further it was agreed that, until March 2007, to adopt the structure of peacekeeping battalion of GUAM, these provisions are still on paper.

The place that GUAM occupies in the regional cooperation of the Republic of Moldova is still very vague. In this regards, the absence of President Vladimir Voronin from the debates initiated by the presidents of Ukraine, Georgia and Azerbaijan, in May, at Krakow, does not seem to add clarity. His presence was necessary, especially since at this meeting, the president of the Ukraine Viktor Iuscenko declared that the parts have to approve a common position concerning the settlement mechanisms of the so-called “frozen conflicts” from Georgia, Azerbaijan and Moldova.

Although any doubt should have been eliminated, the same situation was repeated and at GUAM summit in Baku, from 18-19 June, where Moldova was represented by the Prime-Minister Vasile Tarlev, who emphasized once more the necessity of economic cooperation, minimizing debates about the necessity of establishing a common contingent of peace maintenance for GUAM states.

### Target group

- The peacekeeping mechanism in the framework of the “frozen conflicts”;
- Diplomatic corp.

### Impact

Moldova's policy towards GUAM is marked by the absence of professionalism of the diplomatic corps and by strategic shortsightedness of the political class. The indecisiveness of authorities from Chişinău in the negotiations regarding the creation of a battalion of peacekeeping troops is increasing the situation of incertitude of inhabitants from both banks of the Nistru river as well as of the Western partners of Republic of Moldova.

In this situation, the risk of situation escalation in the security zone increases. An example is the absence of reaction of the peacekeeping troops as to the violent behaviour of Transnistrian forces towards Andrei Ivantoc, during the operation of his releasing from detention. Another example is the intimidation of the inhabitants from Corjova village during the local elections.

### Dynamics

GUAM's instability is due not only to its member states but and to regional juncture. Actually, GUAM can serve as a barometer of the relations between the West and Russia. In October 1997, at Strasbourg, GUAM was constituted as a political-consultative forum. Subsequently, in September 2000, during the UN General Assembly, presidents of all member states signed the GUAM Memorandum, announcing their intention to create an international organization. Thus, from the beginning of its function, GUAM played a role of a sick man being in convalescence who periodically was reanimated. GUAM began to be truly visible with the release “orange revolution” in Ukraine, simultaneously with the western attempts to provide itself with alternative ways of access to energetic resources from Central Asia.

### Factors

- Russia perceive GUAM as a threat to its security;
- The West supports GUAM to provide the transport of energetic resources from Central Asia.

## **Anticipations**

Once with intensification of variances between the West and Russia, GUAM will get more support from the USA. This fact is getting more visible at the meetings of this organization where besides the USA, there are observers representing Poland, Romania and Lithuania, the states that are traditional allies of USA.

## **Questions**

- Which is the role of GUAM in ensuring the energetic security of EU?
- Is GUAM an organization capable to contribute to settlement of the frozen conflicts from the former Soviet space?

## Ex 13. Moldovan diplomacy – at the edge of professionalism (II)

### Subject

The diplomatic corps of Republic of Moldova is chosen according to some arbitrary criteria, but in the most cases, the political criteria prevail over the professional ones.

### Description

In March, Chişinău press reflected in details the dismissal of Eugen Carpov, Extraordinary and Plenipotentiary Ambassador, Head of the Diplomatic Mission of the Republic of Moldova, for the European Communities. Officially, he was dismissed by a presidential decree on 5 March, because he would commit some infringements, particularly money extortion from some of his employees.

In the opinion of some journalists, Eugen Carpov was dismissed because of some “side-scene games” in the Ministry of Foreign Affairs and European Integration (MAEIE), by which the Minister Andrei Stratan wanted to remove from ministry a possible candidate for his position<sup>1</sup>. Others think that, with this move, the “camp of the idealists” from MAEIE obtained a decisive victory over the opponents from the “camp of the pragmatics”<sup>2</sup>.

### Target group

- The diplomatic corps of Republic of Moldova;
- The state institutions.

### Impact

The arbitrary discharge of Moldovan diplomats creates a situation of indecisiveness in the institutions that should provide the vector stability of the European integration of the Republic of Moldova. Additionally, the absence of some clear criteria of promoting the Moldovan diplomats, and the possibility of dismissal at any moment, determines their irresponsible and apathetic attitude. Consequently, the image of the Republic of Moldova has to suffer. A symbolic case is the visit of President Voronin to Sweden when he referred to the detention three centuries ago of the king Carol XII in Tighina fortress, as the beginning of Moldovan-Swedish relations<sup>3</sup>.

### Dynamics

The appointment of ambassadors according to political criteria is not a recent phenomenon in the short existence of the Republic of Moldova. This practice was set up from the establishment of this state. For 16 years there have not been set up clear criteria of employing in governmental functions. In these conditions, the practice of some open competitions was not established at MAEIE.

### Factors

- Arbitrary designation and dismissal of Moldovan diplomats;
- The absence of consistency in foreign policy.

### Anticipations

Until the establishment of some transparent practices of selection and dismissal of diplomatic representatives, the situation in the diplomacy of the Republic of Moldova will not change. In the conditions in which, the former presidential counsellor Sergiu Mocanu declared in a TV programme that it is not possible for a functionary to give negative reports to the President, only if he wants to be dismissed,

<sup>1</sup> Mădălina Bradu, “Moldovan diplomacy, left to will of drivers”, in “Jurnal de Chisinau”, Nr. 559, 16 March 2007

<sup>2</sup> Anton Dogaru, “The case of Carpov ambassador. The “idealist” camp of Voronin is sacrificing the “pragmatics”, in “Timpul”, NR.593, 12 March 2007

<sup>3</sup> Constantin Tanase, “Point by point”, in “Timpul”, NR.615, 23 April 2007

is it clear that, once with perpetuation of present administration, MAEIE will continue to eulogize the successes obtained by the Republic of Moldova, in the process of European integration<sup>1</sup>.

## Questions

- When will the practice of appointing the diplomatic representatives on the clientele criteria be finished?
- What is the contribution of Moldovan diplomats in attracting the foreign investors in the Republic of Moldova?

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<sup>1</sup> Programme “In Profunzime” broadcast Monday, 24 September 2007, on ProTV Chisinau

## Ex 14. The smuggling at Moldovan-Ukrainian border (II)

### Subject

The east frontier of Republic of Moldova remains vulnerable to smuggling and all kinds of traffic.

### Description

Even though, after the establishment of EUBAM Mission, the registered progresses in smuggling combating on the Transnistrian segment of Moldovan-Ukrainian border are visible, even the fact that the mandate of this mission was extended, demonstrates that EU does not so far trust the capacity of constitutional authorities of the Republic of Moldova and Ukraine to manage efficiently the cross-border traffic. More than this, considering the high level of corruption that exists at the border crossing points, EUBAM practically has to monitor not only the smugglers but also the customs officers.

EUBAM officials are aware of the risk that the Transnistrian segment of frontier represents for the security of the Republic of Moldova. Thus, Antti Hartikainen, Deputy Head of European Union Border Assistance Mission to Moldova and Ukraine declared that "The European Union Border Assistance Mission to Moldova and Ukraine does not have access to Transnistrian territory and especially, to its checkpoints. Should Tiraspol participate in the common process of border control, the Transnistrian segment of frontier would not represent any threat for the security of Moldova and of Ukraine"<sup>1</sup>.

As concerns the flow of smuggled goods, its amount can be estimated if taken in consideration the quantity of confiscated goods by the border services of Ukraine and Moldova in the framework of some operations undertaken with support from EUBAM. Thus, during the operation "Focus", in 8-31 October, there were seized goods in the value of one million dollars<sup>2</sup>.

### Target group

- Population of both banks of the Nistru;
- The customs services of Ukraine and Moldova.

### Impact

In April, on the Transnistrian segment of Moldovan-Ukrainian border, under EUBAM monitoring there was undertaken a joint operation of border services of the Republic of Moldova and Ukraine. In only 10 days of this operation, at the Moldovan-Ukrainian border, there were registered 46 cases of smuggling and the elimination of some drug routes was possible. At the same time, 87 persons were arrested for attempt of illegal border crossing, 893 persons were refused to cross the border, 3 of them had forged Schengen visas. Also, there were found 26 thousand of alcohol bottles and 11 kg of marihuana, 616 bullets were confiscated.

Besides the cases of smuggling, there appeared a recent phenomenon that consists in registering in the Transnistrian region of vehicles older than 7 years. This type of business became profitable enough especially because the constitutional authorities of the Republic of Moldova allowed until recently, the free movement of vehicles with number plates from the left bank of Nistru.

### Dynamics

Considering the fact that during the 10-day operation in April there were confiscated goods in the amount of 322 thousand USD, which is 2.5 more than the outcome of the previous operations, and it represents more than the value of the seized goods in the first three months of this year, it can be said that the efficiency of operations organised by EUBAM is increasing, but on the other hand, these operations demonstrate that the same thing cannot be said about the customs service of the Republic of Moldova and Ukraine.

<sup>1</sup> "Frontier services of Moldova and the Ukraine had concentrated their efforts in a joint operation", "Moldova Suverana", nr.74 from 23.05.07

<sup>2</sup> EU Mission of Assistance at Moldovan-Ukrainian border organised the Common Operation "Focus" (<http://www.europa.md/rom/infto/2594>)

## **Factors**

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- The efficient activity of EUBAM;
- The stagnation of negotiations in the Transnistrian problem;
- Inefficient implementation of legislation.

## **Anticipations**

The fact that EUBAM obtained the extension of its mandate for a term of 2 years brings a certain predictable degree to the evolution of the reports from the Moldovan-Ukrainian border but these evolutions will become clear after the cease of Ukrainian political crisis.

## **Questions**

- How many times will the mandate of the EUBAM mission be extended?
- When will the border services of the Republic of Moldova and Ukraine reach the European standards?

## Ex 15. The Transnistrian conflict – the stumbling block of the foreign policy

### Subject

The Transnistrian conflict is invoked as the main obstacle in the process of European integration of the Republic of Moldova.

### Description

According to the opinion of officials from Chişinău, the Transnistrian conflict is “a Gordian knot” and the European integration of the Republic of Moldova depends on its settlement. In the last time, this opinion is spread more, due to the arrears that Moldova has in process of implementing of Action Plan EU-RM (EURMAP). In keeping with numerous reports and estimations, Moldova still has a lot to do to assure the independence of justice, respecting of human rights and freedom of mass-media.

Because are only a few months left until the EURMAP deadline, Chişinău tries to justify itself by the fact that the situation from the left bank of Nistru hinders the acceleration of reforms. At the same time, this does not impede presenting the “progress” obtained by the legitimate authorities from the right bank of Nistru as compared to the situation on the left bank.

### Target group

- Citizens of the Republic of Moldova;
- EU officials.

### Impact

The complaining of decisional factors from Chişinău demonstrates their weakness in front of their own citizens and international communities. In these conditions, the territory between Prut and Nistru cannot be attractive for the inhabitants from left part of Nistru.

### Dynamics

At the beginning of 90years, the Transnistrian region conflict, along with the other conflicts from the ex-Soviet space, broke out because of the Russian insistence to keep its military presence in its neighbourhood. Besides its military presence in the east region of the Republic of Moldova, Russia exerted a permanent pressure on constitutional authorities from Chişinău, trying to create a mentality of dependence. After 15 years, it seems that this condition actually rooted in Chişinău.

The situation is worsened by the logic of the authorities from Chişinău that hope to solve the Transnistrian problem in bilateral discussions with the Russian Federation, ignoring the partners from EU. Thus, officials from Chişinău demonstrate their naivety, when they present the Transnistrian issue as an obstacle in the process of European integration, and favour the Russian Federation in bilateral negotiations, in the hope that it will contribute to the settlement of this conflict, especially since the Russian Federation is not at all excited by the European vector of Republic of Moldova.

### Factors

- Republic of Moldova has arrears at implementing of Action Plan EU-RM;
- EU is interested in creating a stability space in its neighbourhood;
- Authorities from Chişinău participate at secret negotiations with the Russian Federation.

### Anticipations

After the Evaluation Report of the European Commission launched in December 2006, at the end of this year there will be a new evaluation report. As there are no signs that the report from this year will be more indulgent towards the Republic of Moldova, the fact that at the end of the year, the authorities



from Chişinău will invoke again the Transnistrian conflict as the cause of all problems which the Republic of Moldova is facing, is becoming a certainty.

### **Questions**

- How can the Cypriot model be applied in the Republic of Moldova?
- When will the European integration of Moldova take place in conditions in which the Transnistrian conflict settlement is uncertain?

## Ex 16. The concept of the foreign policy is not up-to-date (II)

### Subject

Even if the elaboration of a new Concept of foreign policy was scheduled on 1 March 2006, it delays to appear.

### Description

“The Concept of foreign policy of the Republic of Moldova” adopted at 8 February 1995, provides that: “The complexity and fast change of the situation of world politics, regional and subregional conditions, the fact that the Concept of foreign policy of a state cannot constitute a rigid scheme. Due to these considerations, the strategy of foreign policy needs, in keeping with the aims of foreign policy of our country, a permanent adaptation at the real situation to insure the interests of the Republic of Moldova as a subject of international right”.

Throughout 12 years that passed from the adoption of the concept the international juncture suffered multiple changes. First of all, the Republic of Moldova became a neighbour state of EU and the objective of integration to EU became a strategic objective of its foreign policy. Once with EU joining of the 10 states in 2004, as well as Romania and Bulgaria in 2007, the relations of the Republic of Moldova with these states have to evolve via the prism of the relationship with EU.

Once with EU extension, it became the most important global market. In addition, once with the introduction of the regime of asymmetric commerce, and with introducing of embargo to alcoholic products from the Republic of Moldova to Russia, EU became the most important commercial partner of the Republic of Moldova. As concerns the relations with NATO, once with IPAP adoption and the Romanian adhesion in 2004, the connections with the North-Atlantic Alliance tend to become more intense.

Once with designation of Vladimir Putin as the president of the Russian Federation, and with the price increase of energetic resources, Russia aspires to increase its role in the world, but especially in former Soviet space. In these conditions, due to the tension between Russia and Occident some analysts declared the beginning of a new Cold War.

### Target group

- Diplomatic Corps of the Republic of Moldova;
- State institutions.

### Impact

The concept of foreign policy of the Republic of Moldova is the fundamental document, which is the guideline for internal and external factors. In case this document does not correspond anymore to the time requests, and its provisions do not represent anymore the basic principles of foreign policy of the Republic of Moldova, the actions of foreign policy of the Republic of Moldova are more arbitrary and lacking consequence. At its turn, it does not have a particularly positive impact on the state's image.

### Dynamics

Recently, Transparency International has launched the Index of Corruption Perception 2007. At this chapter, Russia, Moldova, Kazakhstan and Belarus are situated at the same level with Ethiopia, Nigeria and Zimbabwe. Miklos Marschall, the regional director for Europe and Central Asia of Transparency International, in an interview for “Europa Libera” mentioned that: “When there is deep influence of EU, there are improvements in this regards. But when the Russian influence is increasing, the corruption incidence is increasing”<sup>1</sup>.

### Factors

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<sup>1</sup> Jochen Luyptaert, “Bulgaria and Romania score worst on corruption index”, EU Observer, 27.09.2007

- Change of international juncture;
- Nominalization of the objective of European integration as strategic objective of foreign policy of the Republic of Moldova.

## **Anticipations**

The elaboration of a new concept of foreign policy is a complex process. This document cannot be elaborated by a committee, even if the best experts are part of it. If the work models of the actual power are considered, then we can expect a simulation of a dialogue with the civil society, in order to determine the favourable attitude of western partners of the Republic of Moldova. Also, an important role in elaboration of this document has the evolution of relations between the Republic of Moldova and EU, after Action Plan EU-RM expiry.

## **Questions**

- How dynamic will the new Concept of foreign policy be?
- Which will be the ratio between the Concept of foreign policy and the Concept of national security of the Republic of Moldova?

## **Ex 17. Agreement on Facilitating the visa regime: bonus for the signing of the Agreement on Readmission**

### **Subject**

There had been created confusion in the society because of attempts of Chişinău authorities to induce the opinion that the Republic of Moldova can obtain the liberalization of visa regime, instead of Agreement of visa facilitation regime.

### **Description**

The Agreement of visa facilitation regime, signed by the Republic of Moldova can hardly be distinguished from similar agreements signed by Ukraine and Russian Federation. Although not even till the present moment the content of this agreement was published, from the leaked information into mass-media, it seems that the only distinction is the provision that the citizens of Republic of Moldova have the possibility to obtain visas free of charge in Bulgaria and Romania, until in the moment these states join the Schengen Space.

Considering the problems which are facing the citizens of Republic of Moldova at Romanian Consulate in Chişinău, the added value of this provision is quite low, but many citizens give up their trip to Romania when they face the “preferential visa regime” established between Republic of Moldova and Romania.

On 25 April 2007, when the Agreement of visa regime facilitation and the Agreement of Readmission were signed, the Common Centre of Visa Issuance was inaugurated in Chişinău. Although it was opened with great pomp, in the presence of Commissioner of Justice and Internal Affairs of EU, the Centre issues visas for a small number of states (Austria, Hungary, Slovenia, Denmark), which are not even in top of preferences of citizens of Republic of Moldova.

### **Target group**

- Journalists;
- Students;
- Diplomatic Corps;
- Civil Society;
- Persons with disabilities;
- Emigrant workers.

### **Impact**

If the Facility Agreement of visa regime will come into force on 1 January 2008, which is problem that the authorities from Republic of Moldova also present as solved, then some social categories will benefit of some preferences in the process of obtaining visas for EU states. If the states that had joined the Common Centre of Visas Issuance do not constitute top destinations of the citizens of Republic of Moldova, they will still have to travel to Bucharest or Kiev to obtain visas for the states as: Italy, Spain, and Portugal.

On the other hand, the Readmission Agreement represents a test for the Republic of Moldova, provided it would like to join the four freedoms in relations with EU. In these conditions, in a paradoxal way, the citizens of Republic of Moldova but especially foreign citizens that transit Republic of Moldova, with the destination to a EU member state, risk instead of a simplified border control regime to have a stricter regime.

### **Dynamics**

In conditions in which, it is estimated that the number of Moldovan workers who left abroad vary from 400 to 800 thousands, and the massive wave of emigration began after 1998, it is certain that migration and implicitly, visa regime, represent one of the main concerns of the society of the Republic of

Moldova.

This is proved by the queues at the diplomatic representations from Chişinău, Bucharest and Kiev; the huge fees which Moldovan citizens are forced to pay to get a visa by numerous schemes, more or less sophisticated; and even the jokes about this theme. Moreover, according to a report of World Bank, the Republic of Moldova is situated on the second position in the world, as per the remittances of the guest workers in the national GDP (circa 25%). The difficulties that Moldovan citizens face in order to travel to EU determine them to choose the citizenship of a foreign state: Romania, Bulgaria, Russia.

### **Factors**

- EUBAM brought transparency advantage in east border management of the Republic of Moldova;
- Romania proposed to open another Centre of Visa Issuance for Spain, Italy and Portugal;
- Management from Chişinău applies the tactics “all or nothing” in relations with EU.

### **Anticipations**

The “Visa scandal”, that started at Romanian consulate in Chişinău, with the corruption accusations of the functionaries of the Romanian consulate, in combination with Chişinău authorities’ reticence towards every initiative of Romania, makes the appearance of a Centre of Visa Issuance managed by Romania quite improbable. The lack of transparency and the corruption at the borders of the Republic of Moldova can generate a flow of illegal migrants to EU states, which in combination with necessary expenditures to bring them back could generate a balance which is not optimistic, if the “cosmetic changes” presented in the Agreement of facilitation of visa regime are taken into consideration.

### **Questions**

- What chances does Republic of Moldova have to sign the Agreement of liberalization of visas regime if it has arrears in EURMAP implementing?
- How many citizens of Republic of Moldova will decide to emigrate in the conditions of a free visa regime with EU?